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Meat Board shipping controls under challenge

WHEN the Meat Board opens its freight rate talks with the European Conference Lines in a fortnight, one of the weapons in its armoury will be a wad of newspaper clippings.

The file will warn the conference that there's trouble back home — and that any big rise in freight rates could result in a tide of native unrest that would be unpleasant.

The tribal leader at the centre of the troubles is the ebullient John Neilson, of Waitaki NZR, an outsider to the meat trade who has brought many innovative ideas in with him.

The latest scheme is his challenge to the Meat Board's control of export shipping — and that represents a challenge to the Conference Lines monopoly on the meat Trade to Europe.

Waitaki announced a fortnight ago that it was shipping 32 containers of meat to Europe with ABC Lines.

ABC, owned by Belgian millionaire Tsei Rosenfeld, is offering a long-term service at

JOHN NEILSON . . . Innovative ideas.

The Meat Board responded to Waitaki's move by warning the company that its shipping plans were illegal.

Waitaki carried on — and the board used a 58-year-old parliamentary Act to seize the shipment — in name at least.

That rather heavy-handed action was something of a shock to the meat industry — and it focussed sharp attention

THE Conference Lines' monopoly on the meat trade to Europe is under challenge. And a new non-conference shipping line is about to enter the New Zealand — Japan — Korea trade. This week NBR reports on primary producer unrest with freight rates to Europe; and on the intentions of a company that hopes to compete on the Japan rate. And Warren Berryman inquires into the conference line cartels on pages 8-9.

rates 10 per cent below the conference — and not just on a fly-by-night basis.

Rosenfeld's service will be regular, and he says he will keep his rates permanently below the conference, on long-term contract if necessary.

on the board's extensive powers.

Neilson says the war's not over, and he may be hoping the skirmish will start a movement to challenge the board's absolute right to control shipping.

The original intention behind the board control was to ensure that our overseas markets were serviced in an orderly manner.

But farmers may feel that their best interests aren't being served if they think the board is using its position to enter into cosy arrangements with one shipping group.

And if the board is to keep its authority, it may have to show that its arrangement with the conference isn't so cosy.

In the past, the board has asked the conference if it could step outside the terms of its contract and bring an alternative shipper in to carry a "small proportion of the cargo.

The conference answer — a container-load of frozen "noes".

But when the latest round of talks starts in London on September 26, the board could theoretically warn the conference that it was pulling part of its trade elsewhere.

But it won't.

For a start, the board has received no offer from Rosenfeld, and under its rolling contract it would have to give a four-year warning before pulling out.

That might seem a rather restrictive arrangement, but the conference has invested millions in specialised equipment to serve the board's requirements and it needs some assurance of continuity.

But there is another reason why the board won't attempt to opt out. Despite some reservations, it sees the conference as offering the best deal available.

The board's view is that freight is just a part of the total marketing operation — and in the final analysis the service provided by the Conference Lines is worth the high price they demand.

The lines cope with the meat trade's big seasonal peaks, cutting down on stockpiling costs. And the disappointing prices gained at Smithfield recently have illustrated the dangers of over-stocking in the United Kingdom.

The Waitaki affray stems from the rights conferred on the Meat Board by Parliament, and the Labour Party moved quickly into the affair.

Sir Basil Arthur — an old friend of Neilson's — raised the matter in the House, only to be quashed by the Speaker on the grounds that it wasn't the direct concern of Parliament.

This seems strange, since it was Parliament which passed the laws used against Waitaki.

Meanwhile it seems the Government wants to keep out of the argument and it hasn't shown its attitude to the Meat Export Control Act.

When Rosenfeld visited New Zealand a few months ago, he apparently spoke to no less than five Cabinet Ministers about his plans.

But they said nothing publicly — either then or since — about the legal problems he might run into.

Japan trade newcomer

by Warren Berryman

A NEW non-conference shipping line will enter the New Zealand-Japan-Korea trade late this month, offering below-conference rates for both containerised and conventional cargo.

Importers of Japanese and Korean goods are being offered their first alternative to the Japanese-dominated conference shipping at rates 33 per cent less than those charged by the cartel.

Exporters shipping north-bound will also be offered freight reductions.

Two new Japanese-built ships owned by A-S Kristein Jebsens of Bergen Norway DWT 18,000 and 22,000 tonnes will provide the service, with sailings every 28 days, starting September 29.

The Auckland company setting freight rates, and supplying marketing services, containers, and wharf handling is Maas (Tranzpacific Container Services) Ltd.

Tranzpacific is a subsidiary of Mass Projects Ltd, a company owned 50-50 by Auckland advertising executive Doron Curtiss and past marketing manager of Japan Lines Auckland office, David Batchelor.

Tranzpacific's new service threatens the conference's rate-fixing grip on the south-bound trade from Japan and Korea to New Zealand.

Japanese trading houses sign a loyalty agreement with the conference that covers all trade out of Japan. If they break that agreement by shipping non-conference to any one destination they lose the conference's loyalty rebate (about 10 per cent) on all their shipping.

As a result Japanese trading houses nominate conference shipping lines when they export.

Japanese importers also frequently nominate the ships to be used for carrying goods bought from New Zealand.

But the loyalty agreement does not cover the New Zealand importer of Japanese products. Batchelor said the local importer could pay for his goods FOB and ship them himself with Tranzpacific at below conference rates.

Batchelor said he had been receiving good support from both Japanese trading houses and New Zealand importers.

The New Zealand exporter, not being bound by a conference loyalty agreement,

Continued on Page 9

Who should the Wicks' finger really point at?

by Colin James

FOR the time being at least, elections to Parliament are considered important by most people in New Zealand.

For the great majority, it is their only participation in national politics. At a reasonable estimate, upwards of 85 per cent of those who could vote last election did.

That is high by world standards.

Given such a demonstration of preference in the system, there is a good case to be made for trying to run the elections right.

Last year's election was not.

By that I do not mean there was corruption, or people were calculatedly defrauded of their vote.

I mean that there was so much confusion and ridicule over the rolls that there were real grounds for doubt among voters before the election that everyone entitled by law and wishing to vote would be able to vote.

In the event, if we take the word of the Wicks committee, the rolls were in a usable state by the election.

But a reading of that committee's report vindicates the fears held by political parties and others last year that satisfactory rolls might not have been ready in time.

It is a tale of blunders, delays, technical nightmares, inadequate supervision and support, wrong decisions and even a major change in administrative practice that was not sanctioned by law.

"As it turned out," the report says, "the general electorate rolls were adequate for the 1978 election, but in electorates where candidates were successful by only a narrow majority the state of the rolls provided an area of challenge and counter-challenge which introduced doubts as to the validity of the declared results."

The Wicks committee confirms what the National Government, looking for excuses last year and this, alleged: that the genesis of the confusion in the rolls last year lay in the administrative and legislative changes approved during the term of the Labour Government.

But the report is no comfort for the National Government. Administrative decisions were made during its term which were major contributors to the confusion and which were not envisaged by the Labour Government or its legislation.

But it finds that the changes introduced by the 1975 legislation were conceptually sound and by and large recommends that they be persisted with — with necessary amendments.

For instance, it approves of re-enrolment at census time. The 1976 attempt was more successful than its critics have argued.

The problem lay in the fact that not all people re-enrolled at census time.

Contributing causes: lack of staff at the electoral office; little high level co-ordination between the three departments concerned (Justice, Statistics and the Post Office); insufficient briefing of or lack of understanding by those collecting the information of what they were supposed to be doing; and a failure to convince the public of the need to re-enrol only months after an election.

The missing data could have been gathered by census follow-up procedures — or people could have been invited to enrol during the following two and a-half years.

Instead, chief electoral officer Jock Wright decided to keep the 1975 roll and update it.

Partly this was necessary simply to provide rolls for by-elections (the census re-enrolment looked forward to the 1978 electorates which were not then in existence and in that respect was impractical).

But in fact it meant many people's names were kept on the rolls that should not have been there.

Many people were also kept on Maori rolls who had not expressed any wish to be there, which caused problems when these people subsequently tried to vote in general electorates in 1978.

There was also a problem with "meshblocks", the small geographical units used by the Statistics Department to base data on.

The meshblocks were intended to form the basis on which electors, once their names had been entered into a computer, could be redistributed into their new electorates when the new boundaries were announced in mid-1977.

Unfortunately, the meshblock system did not prove sufficiently accurate to allow this to be done. It was, says the committee, a major contributing cause of most of the delay and error.

It was not helped by the omission of meshblock numbers from many enrolment cards and the entry of wrong numbers on others.

Another case of too far, too fast.

The next problem — apart from shortage of money which caused Wright not to produce a standard roll in October, 1978, as planned — was in switching from one computer system to another.

This was done between April and June 1977 and effectively prevented Wright from producing the new rolls within three months of the proclamation of the new boundaries, as he was required to do under the 1975 legislation.

In the meantime, Wright had obtained ministerial approval at the beginning of 1977 to centralise the system of roll maintenance.

Originally, this had been done by the registrars of electors in the individual electorates. Wright now decided to centralise all cards in his office in Lower Hutt and carry out all roll maintenance from there.

Partly this was prompted by confusion that arose out of the (insufficiently co-ordinated) division of responsibility between the Justice Department, in whose bailiwick Wright's office fell, and the Post Office, which under the 1975 legislation supplied the "electorate officers" who replaced the registrars of electors.

Wright had not direct control over these officers and inefficiencies and confusion crept in.

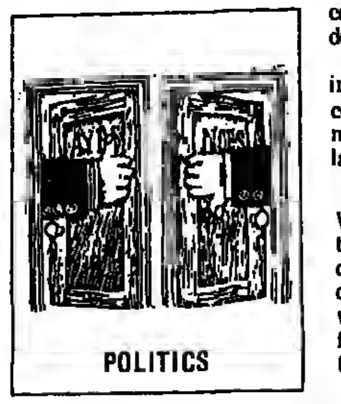
Gathering all the two one central place was inefficient, the Wicks committee says. It occupied 50 to 80 staff from January to November, 1968, when they could have been getting on with preparing the rolls.

In the event no maintenance was done on the rolls between April, 1977 and May, 1978, and possibly for as long as 18 months up to July, 1978: a recipe for subsequent chaos.

The Wicks committee says many cards were not supplied in precisely the way required and checking procedures were largely abandoned.

Information was going forward to the computer largely unchecked and in an unco-ordinated fashion.

The outcome was chaos. A huge volume of clerical work



POLITICS

descended on Wright and his staff which they could not adequately handle before the disastrous main rolls reached an anxious public in August, 1978.

After that the flood of cards turned into an avalanche as electors sought to make sure they were on the roll. It was, as the Wicks committee points out, remarkable that functional rolls emerged. They pay tribute to Wright for achieving that (while not condoning his administrative decisions).

But there was another important reason for not centralising the cards. The move was not sanctioned by law.

By centralising the rolls Wright effectively debarred the electorate officers from carrying out their statutory duty to maintain the rolls while taking on board a function that was not assigned to him by law.

The Wicks committee several times muses on why no change was made to the law to legitimise what Wright was doing. We might ask the same question of a department that is full of lawyers.

It is therefore small wonder that the Wicks committee dealt at length with the failure of the top management in the Justice Department to adequately supervise or support Wright — to ensure he had adequate staff and was meeting the deadlines and requirements of the legislation.

It quotes the current Secretary for Justice, John Robertson, criticising his predecessor, Gordon Orr (now teaching law, including constitutional law, at Victoria University):

"The fact that he (Wright) did not receive the support and direction he should have done from top departmental management is beyond question."

The Wicks committee says administrative support from the top level of the department was insufficient and too late.

At the very latest, it seems to me, alarm bells should have begun to ring when Wright did not get the new rolls out on time. In fact, Robertson says, top level direction "was not present until two months before the rolls were due to close" — that is, in mid-1978, by which time the damage had been done.

But the blame should go higher up than that. This is a ministerial system.

The minister last year was David Thomson. Month after month last year he blandly brushed aside criticisms.

There was a time when last year's scandalous shambles would have led to a ministerial resignation. The Wicks committee said nothing about ministerial responsibility, but what it left unsaid it said most loudly.

Concession fish-hooks worry South Islanders

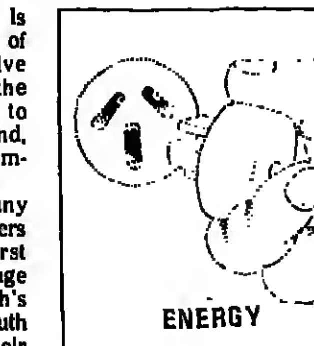
UNLESS careful research is undertaken, a proliferation of major electricity-intensive industries such as the Government is now trying to encourage in the South Island, may result in some embarrassing failures.

That's the conclusion many South Island business leaders are making while the first promoters to take advantage of Energy Minister Bill Birch's cheaper power rates for South Island industries, make their proposals public.

Some worthwhile ventures are most likely, but others could be caught on the "fish-hook" that is part of the new concessions.

This is that a concession to a company will last only 15 years — to 1994 — and will be gradually reduced within that time. A change in world market prices or even increased transport costs to distant markets could turn an economic proposition into an uneconomic one.

And while that may be a fair business risk, not many South Island local bodies would want



ENERGY

vast but empty industrial buildings within their boundaries, and further unemployment.

The question must also be asked: Are large industries, such as the concessions are designed to attract, what the South Island needs — or wants?

The problem has arisen because power planners have over-estimated actual needs by some 2000 gigawatt-hours a year for the next 15 years. The concessions, which will be negotiated on an individual company basis, will encourage industries to use up the electricity surplus.

The scheme applies only to those industries which use more than 25 gigawatt-hours a year. Birch mentioned forestry processing and mineral resource projects such as ferro-silicon, silicon carbide and further Comalco development at Bluff.

But to get such industries off the ground even now will take two to three years, presuming there are no delays with town and country planning hearings, environmental impact reports, water board hearings, any subsequent appeals and actual construction.

The Tiwai Point aluminium smelter, half-owned by Comalco Ltd, is an unlikely starter for the concessions, in spite of the Minister's olive branch.

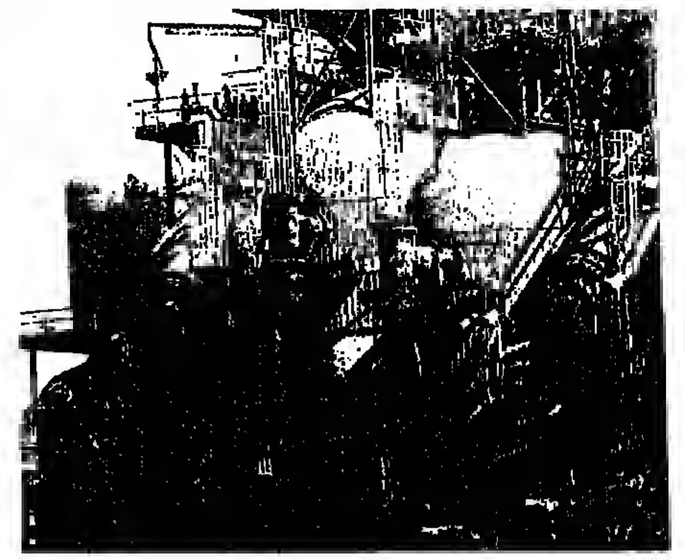
Only a few days before the concession announcement, Comalco announced that it would be spending $1000 million on expanding its proposed Gladstone smelter.

And even though some $17 million has been spent at Tiwai Point already in preparation for further expansion — the maximum capacity was planned at 220,000 tonnes, compared with the present 157,000 — Comalco executives remain scarred from bitter negotiations in 1977 which saw their previous agreement thrown out by the Government and a new one written in its place.

Obviously, they must still fear that similar treatment could be in store if they commit further capital to Tiwai Point. Just as obviously, Comalco won't have any cash to spare for many years because of its Gladstone commitment.

The two proposals announced so far have made headlines throughout New Zealand because of their size and the amount of money involved.

New Zealand Nickel Smelters Ltd, an Auckland-based company, is planning a $till million ferro-nickel smelter at Bluff. Some 600,000



tonnes of nickel ore would be imported annually from New Caledonia, and it would employ about 270 people working around the clock.

The trouble with such smelters is their waste however, and some 450,000 tonnes of slag a year would have to be disposed of, presumably in Southland. Environmentalists can be expected to have a field day, although a company spokesman has gone to some lengths to allay fears.

Sponsoring the second proposal is it C Macdonald Ltd, the entrepreneurial Wellington import-export company. It is for a ferro-silicon industry, and providing some technological problems can be overcome, its chances of success must be rated high.

The technological problems involve working from silicon quartz gravel, instead of the usual lumps, and a Norwegian company, Techo Elkem Spigerverket, has been working on studies for at least five years.

Macdonalds have done their homework, and just as important, they have kept Southland organisations informed of their plans. It was, in fact, mainly the price of electricity that prevented the project getting off the ground before now.

Still other projects are in the pipeline. According to Birch, there have been "three or four" inquiries from New Zealand companies wanting to establish industries using foreign technology.

As several thousand million tonnes of silicon quartz-bearing gravel can be found beneath Southland, it seems safe to presume that the silicon carbide industry mentioned by the Minister seems destined for the south.

The main fear in the south is that there may be haste in deciding which industries will get the concessions.

Some will obviously be more beneficial to regional and national interests than others, but will these necessarily turn out to be the most economic and therefore likely to last beyond 1994?

Sound investigations will be needed on each proposal, and these will take time. Yet in the meantime, the period of the concession power will be running out. To many in business, such aspects appear contradictory, and they have not been well received.

Still, there is no doubt that new industry should be attracted to the South Island, and the scheme seems likely to do it, although whether the whole 2000 gigawatt-hours will be consumed is debatable.

Further encouragement of small industries — either new or existing — would have produced a similar result. At the same time, concessions could still have been offered as encouragement to such proposals as the ferro-silicon smelter.

As business leaders throughout the South Island have said, it would have made more sense to make the concessions across-the-board throughout the Island.

Only a few years ago, New Zealand was short of power. The obvious lesson from those times should have been to watch the future carefully. Yet once again, the Government's approach seems piece-meal — and it could rebound 15 years hence.

See page 10.

EDITORIAL

"PROVIDED people do their duty and ensure that they are on the roll, I believe that the rolls will be as refined as good as they have ever been . . ." That assurance was given to Parliament in July last year by David Thomson, the Minister of Justice, within five months of the general election. But the final election roll list showed at least 400,000 votes more than the total number of people aged 18 and over a year earlier, the crowning inglory of a months-long controversy over the administrative shambles.

The imperative now is to restore public confidence in our electoral procedures. The Parliamentary select committee charged with reforming the law should be helped considerably by the Wicks Committee Report.

The thrust of that report, quite properly, has been to make recommendations for improving the machinery that allows citizens to play a vital role in the democratic process — exercising their vote. But it also shows that two governments, Parliament itself and the bureaucrats of more than one department were to blame for the administrative shortcomings in the running of last year's election.

Too many legislative and administrative changes were attempted within too short a time frame, for example, the report says. Some parts of the legislation itself were rather loosely drawn, mainly in the areas which dealt with the administrative implementation of the legal changes.

Labour's legislation and the resultant regulations proved to be administratively unworkable. And some of the procedures springing from the legislation and the regulations were the cause of considerable confusion in the years leading to the 1978 election, says the report.

But the main contributing factor to the delays, an unacceptable level of error and considerable public dissatisfaction had been the decision by the Chief Electoral Officer, actioned in 1977, to centralise all enrolment card records in Lower Hutt and to take over full responsibility for the completion of the country's electoral rolls.

A highly perturbing aspect of this move — specially because it was made within the Department of Justice — was that the action of centralising responsibility for roll compilation and roll maintenance was not sanctioned by legislation. And the electoral officers' job to satisfactorily comply with their legal responsibilities under the Act was made impossible.

More perturbing, the move was given Ministerial approval in February 1977.

Further cause for concern is that the Chief Electoral Officer did not receive the support and direction he should have from top departmental management, the report shows.

Section 5 of the Electoral Act spells out that the Chief Electoral Officer shaw be "under the direction of the Minister and of the Secretary of Justice" in carrying the Act into effect. And ultimately, under the convention of ministerial responsibility which is supposed to be the crux of this country's system of government administration, the Minister alone is accountable to Parliament for the work of his department.

He was only too ready to reassure Parliament and the public last year that complaints about the rolls were nothing but a political ploy. He was reluctant to concede that there was cause for anxiety, and later blamed the muddle on changes to the 1975 legislation and on electors who had supplied wrong information. But evidence on departmental files suggests that the directions to effect section 5 of the Act were not issued till a scant two months before the rolls were due to close.

In a system where the convention of Ministerial responsibility results curiously rarely in Ministerial resignations, however, Cabinet heads are unlikely to roll. And David Thomson can plead that he cannot resign from a portfolio he no longer holds.

Bob Edlin

QUESTION: When a private company gives an employee a company car what day does that employee nominate as his carless day?

Answer: Saturday or Sunday. Otherwise the boss might feel all that capital tied up in the company car was financing trips to pub or picnic, rather than work.

Question: When a Government department gives a Government servant a Government car and allows him to drive it home what day is nominated as that car's carless day?

Answer: Any working day, Monday to Friday — because that is Government policy.

Of course the Government servant is supposed to drive his Government car straight home on Friday night and park it in the garage until it is needed on Government business.

But it is not unusual to see Government cars parked near the Takapuna boat ramp on a fine weekend, or in front of a private address from which issues the sound of bacchanalian roistering.

Government servants seem little different from their private enterprise cousins in regarding the company car as something of a perk.

The difference lies in policy. Private companies get at least five days a week use out of a company car.

Government cars are used for Government work but four days.

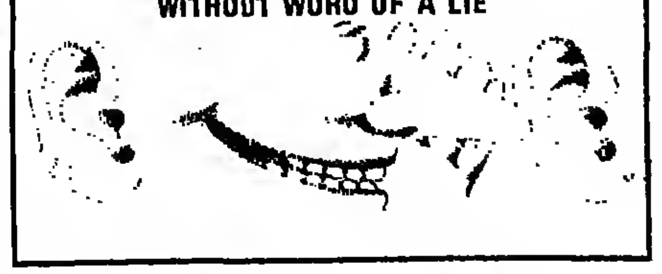
Some Government cars — those from the Public Service Garage and marked with Government emblems — are exempt.

But many Government cars, specially these used by Government trading enterprises (such as State Insurance) are not exempt.

Assuming that neither Government cars nor company cars were ever used for private personal use, then private enterprise gets at least 20 per cent greater utilisation of the capital tied up in these cars than does Government with its one working day carless day.

Meanwhile the Public

WITHOUT WORD OF A LIE



Service Garage, which holds those sleek, non exempt, ministerial LTDs, has to juggle the cars around every time there is a surfeit of nabobs wanting to use them in any one day.

One wouldn't want a minister or visiting dignitory to be caught by the traffic cops being driven to (or worse, from) Bellamys, would one?

If this should happen, Government could make a case for a 20 per cent increase in the number of Government cars so it could keep 20 per cent of the fleet in the garage on each car's carless day.

Looked at another way, if Government can afford to keep a Government car unused in the garage one day a week, why not decrease the Government's non-exempt fleet of cars by 20 per cent? This would mean the same number of Government cars on the road at the same time and cut Government's capital costs in cars by millions of dollars.

Public Expenditure Committee chairman Marilyn Waring and cost accountant Rob Muldoon — take note!

●

WE SEE that the next census forms are going to be checked out in a dummy run, just to ensure that the questions mean to the form-filler what they are supposed to mean.

That makes good sense. No respectable research organisation would ever put a questionnaire in the field without pre-testing it.

We wonder how far that principle extends to other form proliferating Government departments. Inland Revenue, for instance.

Up until the 1979 return the standard deduction of $52 maximum (previously $50) could be claimed in respect of salary and wages only. Now it can be applied to pensions and national superannuation. So a superannuitant whose only income subject to PAYE is national super may claim this deduction. In the case of a married person with as little as $500 additional investment income it means about $10 tax savings and more as income increases.

How do you find out about this? Well, you turn to the 1979 tax guide and look up the paragraph headed "The Standard Deduction." It says, "The standard deduction is an amount equal to 2 per cent of your income from employment or $52 whichever is lesser." What's that again? "Income from employment — "surely that can't be right. It's not right. It should read, as per the tax form, "gross earnings." In its present form, it misleads all those who have no income from employment.

We rang the technical section of Inland Revenue and checked. "Just another blue, which is not uncommon," came the laconic reply.

But if a private commercial firm were responsible for a misdirection of that nature, there would be accusations of deceptive practice, and trickery, even if it were only a blue.

Perhaps Inland Revenue should ask the Department of Statistics to check their forms for them.

●

ONE would expect that when a manager sends a questionnaire round to his employees about some project of importance, they would all re[...] if only in the interests of [...] project.

We therefore quote [...] without comment a [...] passage from the Wi[...] committee on the Electo[...] Act:

"In December 1976 the Secretary for Justice sen[t a] questionnaire to all 92 re[tur]ning officers on seve[ral] aspects of the election in[]cluding the state and adequ[acy] of the rolls.

"Replies were received fr[om] 71. Thirty-five said they w[ere] satisfied with the state of [the] rolls, 19 said they were [not] satisfied, 18 made comme[nts] from which it was not cl[ear] whether or not they w[ere] satisfied. The remaining 2[1 did] not reply."

●

IT'S a cut-throat life, out the[re] in real estate.

But it's not uncommon b[ut] two agents to act jointly — [as] Harcourt and Co. and [...] Nathans did in Welling[ton] when the Norwich build[ings] were put up for auctio[n].

The sales brochure — [as] is usual — mentioned [the in]volvement of both compa[nies].

But it seems that [...] brought out a sepa[rate] brochure. It made no [...] of Harcourts.

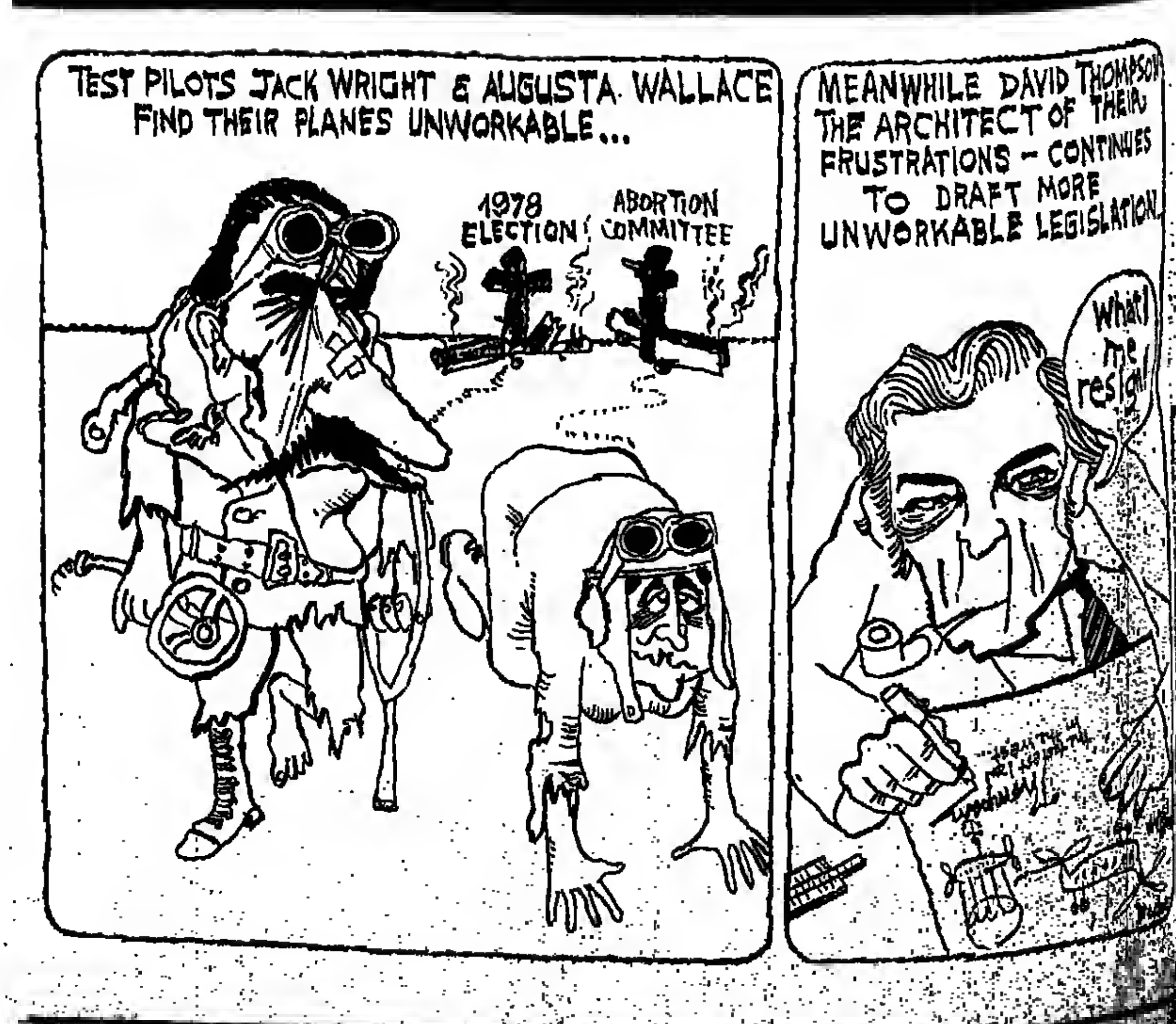
As things turned out [the] property was passed i[n at] auction. And the way we [...] it, Harcourts then negot[iated] the sale (for just und[er 1] million).

Naturally, they thought [it] was something of a feath[er in] their cap — and so they w[ere a] bit piqued to read [...] Dominion about the sale of [the] five-storey Norwich Union [and] the three-level Norfolk Ho[use].

"The buildings were au[c]tioned late last month [and] offered separately, but the bids were considered inadequate, the auctioneer, Mr M J Nathan said yesterday. He said the price finally negotiated was considered 'reasonable'."

Which rather gives [the] impression the sale wa[s a] triumph for the Nat[hans] company, eh?

BROCKIE'S VIEW



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It's not easy, getting the real oil

THE thoughts of Fred Dagg — like those of Moo — are collecting the rustic musings of the cowshed sage with a view to producing a little red book.

Indeed, Dagg's manager, John Barnett, had been diligently collecting rustic musings of the cowshed sage with a view to producing a little red book.

But the project became irretrievably tangled in the ways of the Post Office.

You see, Barnett lives in Wellington. And one of those priceless Dagg tapes was with Radio Hauraki in Auckland. So Barnett asked Hauraki to post it to him. They did. And they packaged it pretty solidly, too — as you can see from the top picture.

But somehow, somewhere, and while the material was in the tender care of the Post Office — well, just take a look at the bottom picture. That's what Barnett found when he opened the package.

The Post Office is as bewildered as Barnett about what sort of mail-handling produces such a result.

Alas, it means that posterity must miss out on some of Fred's philosophising — perhaps including the chapter containing his thoughts on rural delivery.

by Rae Mazengarb

DRILLING of Petrocorp's Toko 1 well in Taranaki stopped last week when the 4900 metre point had been reached. That was 100 metres beyond the originally projected depth.

Petrocorp was logging the well, to determine precisely what layers had been drilled through and what quantities of gas or condensate existed.

But Petrocorp officials remained tight-lipped.

Group general manager Jim Hogg last Thursday was unavailable for comment.

Group secretary Brian McLoughlin refused to discuss progress or other aspects of the project. A press statement would be issued as usual on Friday, he said. (It wasn't).

According to Toko on-site sources, there would be no cause for celebration.

But earlier in the week, Hogg had pointed out: "A well-managed well does not suddenly become a gusher of oil or gas nowadays".

He added: "We have a lot of work to do yet before we know the full story of Toko".

Whatever lies beneath the surface of Toko, however, it is time the New Zealand public was made much more aware of the nature of the Petrocorp project at Toko.

Unconfirmed reports suggest the cost of drilling may be over $4 million so far.

Reports at the time of the spudding-in said the cost would be $2 million.

An announcement that Toko 1 would be spudded in during October 1978 was made back in August last year.

Company spokesman B H Smith said then a depth of 4800 metres was projected.

The well would be drilled over four months by Petrocorp Exploration's Inima drilling rig, it was reported.

But the well was not spudded in until November.

There were problems with the rig, which cost around $4.5 million.

Shortly after it went into operation it broke down.

Ever since, there has been a series of delays.

But Petrocorp officials never gave up. Their press statements always hinted the end was in sight.

A press statement issued on May 4 said the hole had reached a depth of 3402 metres. And the chairman of Petrocorp Exploration, F A Reeves, said drilling at Toko was expected to be completed "in about six weeks", after which time the drilling rig would be moved to the next exploration well site to be called McKee 1.

On May 9 NBR reported Petrocorp was confident of astounding its critics soon. Our "unconfirmed reports" suggested the corporation had struck gas condensate with its first test bore in Taranaki.

Again a Petrocorp public relations problem was revealed rather than the true state of the drilling.

In June general manager Jim Hogg told reporters, "We believe we are close to the top of a Kapuni-type formation".

He said: "Things are now very interesting", but said there was no way of knowing whether gas, oil or condensate was present in the target area until the cap over it was breached.

The well was then 3840 metres down.

Said Hogg: "Whatever happens, it will certainly be within a very few weeks".

In July it was reported Toko was past the 4000 metre mark, and it seemed to be just a week or two away from "the moment of truth".

JIM HOGG . . . tight-lipped.

Preparation was then nearly complete on the next exploratory site, east of the Waitara River.

To be known as McKee 1, it would go to about 3850 metres, the report said.

Dr John Collins, of the Geological Society said his group had also had difficulty obtaining information from Petrocorp. But some agreement had been reached and it was hoped that information on the well would be more easily obtained in the future.

The information was important for scientific research and its unavailability was hindering geological research in this country he said.

Overseas specialists had to be flown in at one point to save the hole.

Spokesmen again refused to elaborate, referring to the holdup only as "subsurface technical problems".

Progress was held up at one point when equipment was lost in the bore necessitating a lengthy "fishing" operation.

Petrocorp's problems have raised a number of questions, but officials have never been willing to elaborate.

A Radio New Zealand reporter says he has tried to ring Hogg once a week, but in the 18 months of Petrocorp's existence, he has succeeded in talking to him only about half a dozen times.

A Taranaki newspaper recently reported the same problem.

NBR inquiries last week met with little joy.

We tried to contact Hogg but were told he was out for the rest of the day.

Referred to his secretary, we repeated we were trying to get hold of him.

"Isn't everybody", came the reply.

He apparently had overseas visitors who were keeping him busy. "He's never here these days", the secretary said.

But she would not comment further on the business dealings with the overseas visitors.

We were referred to another official instead of Hogg who said, being a limited liability company Petrocorp is not accountable to the people of New Zealand. Therefore it is not required to report on matters which, to his mind, were "confidential".

For instance, he would not comment on the cost of the well operations so far.

The design of the rig makes it impossible for the Toko attempt to go much deeper. Oil industry sources say "that's what happens when you buy the wrong rig". Whether the attempt will continue is still anyone's guess because it's still confidential.

Meanwhile the multinationals have indicated they want to become involved.

But Petrocorp holds all the licences in the area. And there is no move afoot to farm them out.

Liquid fuels decision: Maui options weighed

THE Government seems confident the Maui Resource will give the motorist half self-sufficiency in liquid fuels — but the price tag will be around $2000 million. And the supply of fuel will go only part way to offering a transport future to just one generation of New Zealanders.

The Maui-based fuel options therefore provide at best only a breathing space before the country is confronted with the task of turning crops and trees into alcohols and electrifying transport.

Papers relating to this transitional step have reached NBR.

They are the work of the Liquid Fuels Trust Board which:

● "Compare the economic viability of the alternatives, and identify those warranting priority implementation,"

● "Assess the current technical status of the alternatives and provide a firm basis for the planning of further investigations by the (LFTB) Board".

In its reports to the Government, the Liquid Fuels Trust Board has proposed strategies which have the approach of a little bit of everything.

"The use of CNG, LPG, M15 (petrol extender), and condensate associated with this 'most economic strategy', could provide New Zealand with about one-third self-sufficiency in transport fuels. In order to increase this degree of self-sufficiency it *would be necessary* to extend the use of CNG and-or produce synthetic fuels at the expense of LNG (Liquefied Natural Gas) exports. Thus the key issue in making a final decision as to the use of Maui gas in the transport sector will be the extent to which the 'most economic strategy' should be modified, in order to provide increased self-sufficiency, and, hence, provide control over New Zealand's destiny."

The LFTB on Compressed Natural Gas:

"...CNG should be immediately encouraged, particularly for fleet vehicles, but also for private vehicles suited to the fuel."

The LFTB on Liquefied Petroleum Gas:

"...LPG has the advantage of being particularly suitable for the supply of an alternative fuel to the South Island, and accordingly cannot be ruled out as an option."

The LFTB on Alcohol Fuels:

"Methanol-Gasoline blends (M10 to M15) are also indicated to be an attractive option ... together these alternatives have the potential to realistically substitute for between 20 per cent — 30 per cent of total gasoline demand ... minimum product costs can be achieved with 2500 tonne-day plants, each costing about $150 million. Methanol would be produced from such plants at a cost that would be internationally competitive."

● Exports of Methanol: "... a large-scale methanol project (1000 tonnes-day or greater) in New Zealand, based export of chemical methanol would be economically competitive."

● Methanol as a gasoline extender: "...M15 could add to the overall viability of a methanol project by providing a secure domestic market in which methanol replaces some imported oil.

● Methanol as a base fuel: "Methanol has the disadvantage of being a different fuel to gasoline, and would therefore require substantial engine modification or re-design."

LFTB on synthetic gasoline-diesel.

"The synthetic gasoline option could only be justified if priority was given to achieving a high degree of self-sufficiency in transport fuels in the mid-term. Adoption of the Mobil route would require a parallel development to overcome this diesel deficiency."

"In comparison with methanol, synthetic gasoline production could be implemented comparatively quickly since this option avoids the need for any downstream modification to the distribution system and vehicle fleet. It has the disadvantage of relatively high cost and low efficiency of utilisation of natural gas."

"The results of economic analysis show the economic performance of synthetic gasoline-diesel (Fischer-Tropsch) to be poor. This conclusion, however, neglects consideration of security of supply."

The LFTB on Export options:

"There is a projected market in Japan (and possibly in the United States) for new fuels to replace oil in power generation. LNG (Liquefied Natural Gas) is already an accepted fuel in this market, and indications are that fuel methanol would be equally acceptable, if available at a competitive price. The results indicate the export of LNG to be a viable project for using the uncommitted Maui reserves."

The LFTB comparison of economic results

"The potential for export of gas as LNG provides a convenient 'breakeven' opportunity value for gas. On this basis, the alternatives of CNG, Methanol blend, and base methanol appear at least marginally economic. Synthetic gasoline-diesel production is indicated to be marginally uneconomic, even under the most favourable conditions."

The Most Economic use of Maui gas:

● Use of CNG and LPG in fleet vehicles (and some private vehicles);

● The production and export of chemical methanol up to the limits of overseas markets (1000 tonnes-day);

The use of M15 when compatible vehicles are available (from 1984 on say);

Methanol as a base fuel when vehicles are available (late 1980s at best);

LNG for export (assuming a relatively high rate of depletion of the Maui field and the availability of markets).

It's clear that Energy Minister Bill Birch and Under Secretary Barry Brill will have to talk fast if they wish to commit the country to a world-scale synthetic fuels programme, incorporating both gasoline and diesel, AND a world-scale methanol programme.

Logistical and economic problems associated with an immediate start to both are seen by observers as awesome.

A realistic ongoing programme therefore could be:

1) Acceleration of CNG programme

2) Acceleration of LPG development (even if it means importing LPG for the short term development of the industry)

3) A further limited period of research into both the Mobil and Fischer Tropsch technologies which produce gasoline and diesel, with a view to following international developments, and embarking on a synthetic fuels programme in the early eighties.

4) An intensive Government and industry effort to secure market guarantees for Liquefied Natural Gas for uncommitted Maui gas and future gas finds.

5) Government incentives for private sector involvement in commercial ethanol plants.

State print goes commercial

by Colin James

A GOVERNMENT backbencher and an Opposition frontbencher have come up with proposals to put the Government Printing Office on a more commercial footing.

The Printing Office was criticised last year by the Auditor-General, Parliament's money watchdog, for the inadequacy of its costing and accounting systems as a means of recording job costs and producing reliable accounting data for its annual accounts.

This has been followed up by a sub-committee of Parliament's public expenditure committee. The two-man subcommittee was Ian McLean, Government MP for Tarawera, and Roger Douglas, Opposition MP for Manurewa.

Douglas chaired a Cabinet committee on spending in 1975 and is one of the few Opposition MPs concerned about efficiency in Government departments.

In debate on the Railways estimates last week, he argued that the staff was more likely to do a useful job if they were given clear goals and objectives to work towards.

Cost centres should be identified and objectives set for each.

He and McLean, one of the strong voices among the new Government backbenchers and a vigorous efficiency advocate, therefore had much in common in approaching the Government Printing Office — a trading department which performs a largely service role.

The two agreed that the Printing Office should have greater independence in its capital structure and its financial operations. At present its cash payments are appropriated by Parliament annually.

The capital structure, they said, should be based on that of a private firm, "with the aim of achieving a return on capital".

To a large extent, they said, the capital structure already existed and no further costs, beyond, perhaps, an initial grant for working capital, would need to be incurred to set it up on the new basis.

To be self-supporting financially, the Printing Office should set charges to departments high enough to recoup costs, cover depreciation and provide a return on capital, plus allow for the purchase or replacement of minor capital equipment.

Some work done for departments, McLean and Douglas said, was not charged for — including $2.2 million worth of storage and handling of forms and reprographic services.

"The committee is not convinced that it is uneconomic to recover these costs from departments, having regard to the possibility of wastage through departments ordering more than necessary quantities," they said.

"If the Government Printing Office is to be self-supporting it would be necessary that departments bear the costs for all services received.

"Even if the act affect would merely be a transfer of the costs to other departments there are important principles involved: that departments should bear the full cost of services provided for them; and that the full costs are known and can properly be considered during discussion of estimates by Parliament."

The two men suggested that the Printing Office should operate a revolving fund — that is, be able to pay its operating costs out of its receipts instead of giving its receipts to the Government and spending only what it is allocated by Parliament.

"Only the capital cost of expanding operations, or any extraordinary losses in excess of what could be provided out of accumulated profits, would need to be appropriated by Parliament," they said.

The two men made a number of recommendations on costing and accounting.

Budgets should be established for each cost centre and line management should be given fully costed reports.

Penalty charges should be made to departments that make significant changes to copy already typeset and departments should be charged extra for urgent unscheduled jobs.

To monitor the Printing Office's efficiency, McLean and Douglas recommended that the range of work put out to tender by private printing firms — an existing practice — should be made representative of the work the Printing Office does and the costs compared.

Opening up the field of Government printing to outside competition and allowing the Printing Office to go out into the private world to compete were considered, but not recommended — each MP having party reasons for rejecting one of them (remember the Post Office's proposed courier service).

Instead, the two men settled for the less controversial recommendation that "once new systems proposed have been implemented the whole question of the relationship of the Government Printing Office with printing firms in the private sector be considered".

Douglas is chairing another public expenditure committee subcommittee on the Government Architect, another service operation that could be put on a charge-out basis.

Flag plans computer-aided booking system to gain competitive edge

by Stephen Bell

A computer-aided booking system planned for Flag Inns could have the effect of increasing the proportion of the country's hotel accommodation at the disposal of Flag.

At present, the 75 hotels and motels participating in the Flag scheme set aside a proportion of their rooms for guests booking in through Flag's central booking service in Auckland, Wellington and Christchurch.

The present system is manual with communication between hotel and booking office being handled by telex. This involves a good many messages back and forth to ensure the availability of rooms.

Together with possible reshuffling of bookings or searches for alternative accommodation, the process of fitting a guest in can take as long as half an hour.

In its first stage of development, scheduled for next April, the computer system will still use the telex network. This, though, will communicate directly with the IBM 370 computer at the bureau operated by Idaps, in Auckland.

All the rooms available to Flag at each hotel will be put on the computer system's files, and their status will be immediately visible to the system, giving guests a much quicker response.

Clearly, the hotel will still want to keep a certain percentage of its rooms for guests booking in over the desk. If 100 per cent of the rooms were made available to Flag, then the hotel would have to send a telex message to the Flag office to update the files each time a non-Flag booking was made.

This would add enormously to costs.

The second stage of the system, scheduled for August 1980 is another matter. This will install visual display terminals at each hotel to communicate with the central system.

Cost of these terminals and their transmission facilities will be constant, and not dependent on traffic.

Thus it would then be no obstacle to the hotel to put all of its rooms on the Flag system, and Flag spokesman Peter Coghill foresees that some hotels would want to do this.

The Tourist Hotel Corporation, which participates in the Flag scheme, will also have telex communication, and subsequently terminal communication from all its hotels into the new service.

Since rooms are instantly recallable from the system for non-Flag bookings, increased participation in Flag is unlikely to squeeze accommodation off the free market, but with more rooms and a greater variety of rooms available to Flag customers, the chain is virtually assured of increased business and increased commission.

The visual display terminals installed with Stage II will have some degree of intelligence at the front end, allowing hotels to process their "front office accounting" — keeping track of each guest's bill — on the Idaps system. At a subsequent stage, more accounting functions, covering the hotel's business as a whole, will be provided.

An important cost saver will be the fact that the software required has already been written and tested in use on a similar system in Australia.

See page 10

ABC Lines provides ammunition for attack on shipping cartel system

by Warren Berryman

THE relationships between the Meat and Wool Boards and members of the price-fixing shipping cartels has emerged in high political profile following the seizure of $42 million worth of meat owned by Woltaki NZR.

The Meat Board seized the meat to prevent Waltaki from shipping with non-conference ABC Containerline at rates 10 per cent less than those charged by the conference.

The board was entitled to do this by virtue of an old and dusty statute.

Shipping non-conference would have saved Woltaki $5 million in foreign exchange a year.

ABC will now renew its offers to the Meat and Wool Boards, claiming widespread support from primary products exporters.

The myth that the two producer boards are acting for and on behalf of primary producers and exporters is about to be exploded.

When the dust settles it will become clear that many meat and wool exporters are strongly opposed to the producer boards' bureaucratic interference in their business.

In general it will be the foreign-owned companies siding with the boards' restrictive trade practices and New Zealand-owned companies aligned against the producer boards that are said to represent them.

The Meat and Wool Boards justify their prohibition on shipping non-conference claiming that the conferences provide regular uniform service.

Conference opponents don't dispute the desirability of a regular reliable service. They do oppose the conference's cost-plus method of charging for that service.

They also point out that the only time conference rates have been held in check or reduced has been through competition from a non-conference carrier.

The Meat and Wool Boards will have to answer some thorny questions.

- Can this country, with its $1 billion plus invisibles deficit, afford to give a monopoly position to the cartels so they can increase freight rates untrammeled by free competition?
- Can this country afford to pay higher freight rates than its overseas competitors at a time when a surplus in world shipping is pushing freight rates down where non-conference lines are allowed to compete?
- Why do Australian wool exporters pay half the freight rates paid by New Zealand wool exporters to reach the same markets — and is this benefiting New Zealand farmers?

The question of conference versus non-conference goes beyond the concern of the Meat and Wool Boards to the manufacturing sector.

Producer Boards control more than 90 per cent of our total export tonnage. But they control only about 70 per cent of the value of these exports.

Producer Boards negotiate freight rates with the conferences. Manufacturers have no voice in these negotiations.

Ships are filled with varying commodities charged at varying freight rates. It costs twice as much to ship some manufactured products as it does an equal weight of meat.

The object of the exercise is to have the total mix of cargoes pay the running cost of the ship and leave a profit.

The object is also to fill the ship. Bulky low-value cargoes are charged less. High-value cargoes are charged more, even though they take up less space. Freight rates are often struck on what the exporter can afford to pay.

A low-value bulky commodity like bone meal might be charged one tenth that of a container full of lawnmowers. If all the cargo in the ship were charged at the "bone meal rate" the voyage would be grossly uneconomic.

Producer boards negotiate their share of the freight rates direct with the cartel. Manufacturers are left to fight between themselves as to who will pay the rest.

At this point a non-conference shipper can upset the cosy relationship between producer boards and cartel by singling out these exporters paying the highest commodity rates and offering them a better deal.

The producer boards refer to this process as "skimming off the cream". The manufacturers call it getting a good deal through free enterprise.

Both here and in Australia, entry of a non-conference competitor to the market has driven freight rates for manufacturers down by as much as 50 per cent. These cut rates have generated new manufactured exports that would not have been price competitive in foreign markets had conference rates been paid.

But, having control over the bulk of the tonnage, the Meat and Wool Boards can drive a non-conference competitor from our shores to the detriment of the manufacturing sector as well as themselves.

ABC is offering an average 22 per cent reduction on freight on imports and about 10 per cent less on exports. Both would cut this country's invisibles deficit.

Ace Lines started in this country with a similar offer. The freight war between Ace and the conferences cut freight rates for many commodities in half.

The Meat and Wool Boards claim that non-conference lines, like Ace and ABC, are disruptive to an orderly marketing system. So they are.

Free enterprise is a system full of such disruptions. Australian exporters, with whom we compete, are benefiting from such disruptions getting cheap freight rates denied to this country's exporters by the Meat and Wool Boards.

The Meat and Wool Boards stand alone in their sole support for the cartels. The Apple and Pear Board charters its own ships to export its produce.

The Dairy Board gets its shipping at the best possible price declining to "get intohed with the cartels" as the Meat and Wool Board have done. And the Dairy Board's free enterprise bargaining has served them well.

Some months ago a ship carried a 18 tonne container of milk powder to Britain for $1334. An identical container full of wool weighing only eight tonnes on the same ship would cost $3585 to ship.

Lamb carcases, needing refrigeration, in the same-sized container and weighing eight tonnes would only cost $2545.

Manufactured goods shipped as general cargo on the same ship would cost about double the price per container as meat.

The high rate for wool covers port service charges and other factors as well as the ocean freight rate.

Even so, ABC is now carrying Australian wool for half the ocean freight charged to New Zealand exporters.

Before ABC got into the act, conference line ships were carrying Australian wool to the United States for 25 per cent less than the freight charged New Zealand exporters.

Australian and New Zealand wool were frequently carried on the same ship. Though Australian wool had further to go to the United States it went 25 per cent cheaper.

Any reduction in freight would be reflected in an increase in price paid to the New Zealand farmer.

But the Wool Board is tied up in business with two cartel members in the Central Wool Facilities it set up.

This "wool club", as it is known by New Zealand-owned independent wool companies, has consistently acted through Wool Board mandate to disadvantage the independents.

The Meat Board and its foreign owned allies might point the finger at ABC, whose owner, Tsvi Rosenfeld, is a shareholder with Waltaki in Maritime Carriers, which in turn is half-owner of Pacific Maritime, agents for ABC.

But Waitaki took only 32 of the 80 available refrigerated container slots on ABC's first ship. The 10 per cent savings was available to other meat companies.

Perhaps other meat companies did not want the space. Waitaki controls only about 25 per cent of the meat exports to Britain and Europe.

The Vesties family not only control W and R Fletcher, one of this country's largest meat companies, but the ACT Blue Star Line as well.

Blue Star is a key member of both the cartel serving the United States and the United Kingdom-European Conference.

While prohibiting exporters from using non-conference ships, the Wool and Meat Boards have derived considerable negotiating leverage from the low freight rates offered by non-conference shippers.

Ace Lines offered last year to carry between 50 and 100 containers of meat a month to the United States at substantially discounted [illegible]

At the same time the ca[illegible] was negotiating with the [illegible] for a 36 per cent freight [illegible] increase to West Coast [illegible] States ports, and a 19 per [illegible] increase to the East Coa[illegible]

As a result of [illegible] competitive rates, the ca[illegible] got only a 3.5 per [illegible] increase.

Ace's rate cutting [illegible] Australia reduced the cart[illegible] increase to only 3 per cent [illegible] that country.

The Meat Board has a [illegible] impressive record in [illegible] dealings in the Unit[illegible] Kingdom-Europe trade, whe[illegible] no non-conference competit[illegible] exists.

According to [illegible] Wednesday's Christchurch Star, percentage increases [illegible] sea freight for lamb [illegible] 1974, 48.9 per cent, 1975, [illegible] per cent, 1976, 17.6 per cent, 1977, 23 per cent, 1978, [illegible] per cent, 1979, 11.3 per cent.

Last year the Wool Bo[illegible] received an offer to carr[illegible] from Ace Lines. Ace [illegible] carried a small amount [illegible] at 10 per cent below cartel rates prior to this offer.

About this time the cartel wanted a 14 per cent increase in freight rates.

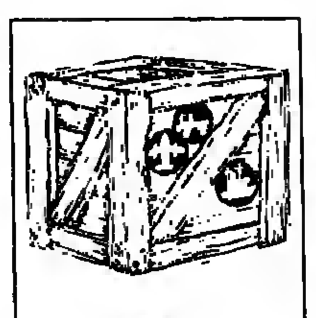
Ace's presence in the market caused the cartel first to forestall its freight increase and then to drop its rates to match those offered by Ace — one of the first times freight rates have been decreased rather than increased.

The Wool Board thanked Ace by banning it from the wool trade.

The Wool and Meat Boards might hate the idea of disruption by the non-conference carriers, but as opposed to publicity, they use non-conference rates as a bargaining lever against the conferences in the interests of the primary producers they claim to represent.

The potential of using non-conference lines as a bargaining lever exists only as long as these lines remain in New Zealand.

It is unlikely that ABC will remain in this country without bulk cargo from the producer boards.



TRANSPORT

Given this support, ABC says it will guarantee service to New Zealand at least until 1993, when its contract with DuPont to carry mineral sands from West Australia to the United States Gulf expires.

ABC also says it will not join the cartel.

ABC is building two new ships capable of carrying 700 refrigerated containers, each financed by a Belgian Government loan at 1½ per cent for 80 per cent of the price.

These ships could be on the New Zealand run by 1981 to 1982.

In the 10 months that ABC has been in the United Kingdom - Europe - Australia trade they have captured 15 per cent of the Southbound United Kingdom cargoes, 10 per cent of the French, and 8 per cent of other EEC cargoes.

Australia is paring freight costs off its import and export shipping bill.

ABC is only one non-conference line interested in New Zealand trade and willing to offer cheaper freight rates.

Restrictive trade practices enforced by the Meat and Wool Boards can prohibit it both from offering competition to the cartel and from providing manufacturing exporters with cheap freight rates.

The question essentially is this: can this country afford to pay these rapidly escalating freight rates? and how fast will these rates rise once the Meat and Wool boards have driven the last vestige of competition from our shores?

Polemically, is there an inconsistency between the principles of free enterprise and the powers granted to the Meat and Wool Boards to dictate to the owners of that meat and wool with whom they may and may not ship?

From the viewpoint of efficiency, one might ask if the bureaucrats in Wellington are better qualified to negotiate shipping than the man who owns that wool or meat?

The owner of the wool or meat has at least proven himself in the commercial world, an assumption one cannot make of the bureaucrat.

NEXT WEEK: Transport writer Bob Stott spells out the case for the cartels.

Tranzpacific offers flexible cargo service

Continued from page 1

regard to the level of investment in pastoral farming in recent years, a return to growth in output in the 1979-80 season and beyond seems likely," the review says.

can also go outside the conference for cheaper non-conference rates.

Tranzpacific applied to the Wool Board to carry wool cargo.

Batchelor said he did not quote a freight rate to the board, because he did not want the board to use his rate as a bargaining lever against the conference and then forbid wool exporters from using his service.

(The Wool Board did this last year — when Ace lines started carrying wool at below conference rates the Wool Board used Ace's non-conference rates in their bargaining with the cartel to hold conference rates down. This done, they barred wool exporters from using Ace Line ships.)

Tranzpacific may cut the base ocean freight rates for wool in bulk.

Wool cargoes are being charged one of the highest rates of any commodity. Thus the freight paid on wool subsidises the rest of the cargo in the ship.

For example, scoured wool is charged $220 a tonne to go to Japan. Bone meal travelling on the same ship is charged only $62.50 a tonne.

Tranzpacific is offering box rates for cargo (freight paid per container rather than per tonne). This would give a large freight advantage to wool exporters who have dense bailing equipment as this allows them to get more wool into a container.

Batchelor said that as far as rates went, he left the option open to the Wool Board.

In the past the Wool Board has shown a greater interest in "uniformity" rather than reward for say, companies that invested in space saving dense bailing equipment".

The Japan conference is [illegible]ved by two ships, the Godwit and Aotea.

Four conference members sell space on these two ships, Japan Lines, Crusader Swire Container Service, (agents P and O) Mitsui OSK (agents Seatrans) and the Shipping Corporation of New Zealand.

All four conference members charge the same tariff. Space on the ships is allocated between the four. Japan Lines has the lion's share.

The conference moved into containerised ships in September 1976 leaving a gap in the market for conventional ships on the northbound run to Japan and Korea.

Two non-conference carriers, Armada and Croisdale Shipping, entered the conventional bulk trade from New Zealand to Japan. Croisdale went into receivership after a prolonged shipping strike in Britain tied up one of their ships. (Croisdales losses were wholly unrelated to the New Zealand-Japan trade).

Until Tranzpacific came on the scene the field was wide open for a non-conference conventional ship carrying cargoes southbound. And it is here that the conference could be hard hit by Tranzpacific.

While Northbound ships are sailing nearly full with New Zealand cargoes, Southbound ships are sailing about half empty.

Importers are turning away, when they can, from container shipping due to high costs, congestion, and long offloading times at container ports.

Tranzpacific's operation has a flexibility the Conference lacks. Its ships are combination carriers able to carry varying mixes of containers and conventional cargo.

The two Jebsen owned ships will load at conventional berths. They have their own gantry cranes for on and off loading. Their itinerary runs; Auckland, Lyttleton, Mount Maunganui, Tokyo, Kobe, Inchon Auckland.

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Good news for the out-of-towner
SPT 3

Economic miracle falls apart at the seams

Economics Correspondent

THE Government's last standard of economic success has been destroyed. After showing steady improvement since the National Government took office in November 1975, the balance of payments situation deteriorated sharply in the first six months of this year.

And the June figures show that the balance of payments deficit is now rising sharply. For December year 1978, the balance of payments deficit dropped to $453 million, the lowest it had been since June year 1974. The latest figures for June year 1979 put the deficit at $627 million.

Economists had warned that the balance of payments deficit would rise from mid-1979 onwards. In the December 1978 issue of Quarterly Predictions, the New Zealand Institute of Economic Research forecast that the balance of payments deficit for the year ended March 1980 would rise to $960 million.

Improvement in the balance of payments during 1977-1978 was almost totally the result of falling import demand, according to NZIER. "This improvement, however, is expected to end . . . and a fairly rapid deterioration will ensue as import demand rises again to support modest economic expansion during the first six months of 1979."

While the institute has now revised its forecast of the balance of payments deficit for March 1980 to below $980 million, it still sees rising import demand as a major force causing the balance of payments situation to get worse.

This increase in import demand can largely be attributed to the Government's electioneering last year. To grease the voters' palms for an election win, the Government increased its spending and reduced income taxes in the 1978 Budget. Given the rather sluggish state of the economy at that time, a little stimulus from the Government would have been no bad thing.

But the Government gave too much stimulus to the economy. It had to make sure that voters noticed their purses swelling and increased spending fast enough for the change to be obvious by election time.

The income tax reductions took effect from October 1, the month before the election.

It takes a while for the statistics which measure the improvement in individuals' economic position to become available, but by March this year Department of Statistics figures showed that salaries and wages were increasing faster than the rate of inflation. This means, that after buying goods that they normally consume, people had a little left over to spend on something different.

Despite the existence of some stocks build-up, the sluggish New Zealand manufacturing sector could not meet the increase in domestic demand. So after falling for several quarters last year, imports began to increase more rapidly in late 1978.

This increase in imports represents an increased desire on the part of consumers to buy goods not available in New Zealand and the desire of manufacturers to expand production to meet consumer demand domestically if possible.

So, because the Government stimulated consumer demand too quickly for the manufacturing sector, instead of getting a strong increase in the growth rate of local production, the Government's election year stimulus has led to an increase in import demand.

The table illustrating the New Zealand Balance of Payments tells the story quite clearly. Since 1976-77, export receipts have grown at a rapid rate. And the table shows that the growth in export receipts is still on an upward trend.

Import receipts fell in September year 1978, but have been rising since then. The balance of trade peaked at $577 million for March year 1979, but is now falling according to recent figures for the June year 1979.

Export returns are healthy because of the increase in the volumes and prices received for meat and manufactured products.

Imports have been rising because of the high level of ordering and buoyant aggregate demand during the first six months of this year. Given the expectation that oil prices will increase by at least 50 per cent over the next year and may treble, it seems unlikely that the rising trend in imports will be reversed for some time.

So if the balance of trade is to remain in surplus, the pressure is on exporters to expand their receipts over the next year or so.

Last year, farm sector returns from overseas markets reached a new peak, according to the Ministry of Agriculture and Fisheries 1979 annual report. "Agricultural export values excluding forestry, rose 13 per cent above the 1977-78 figures to nearly $3000 million. Most of the gain came from beef, with wool income shifting up toward $700 million and dairy product earnings surpassing $500 million, to consolidate the trend."

But this new peak may turn into an all-time low by late next year. The European Economic Community is gradually cutting back on New Zealand farm products. And the American economy is unlikely to open its doors any wider over the next year or so.

The American economy is undergoing a slight recession, expected to continue well into 1980. Also, almost unnoticed while the United States was beset with petrol price increases and international pressure to reduce its energy consumption, nature was blessing the North American countryside with timely rains and sunshine. American farmers expect to have a tremendous crop this year.

Good weather means increased farm product supply. The existence of a greater supply of foodstuffs will put the cap on food price rises in the United States for the rest of the year. Prices for some products, for example meats, have already peaked. The good harvest is good news for the American consumer because it means the rate of inflation in food prices will fall below 10 per cent next year.

But the good North American summer is not good news for the New Zealand farmer when it also comes on top of news about sluggish growth in the United States economy next year. A fall in prices there is likely to result in a fall in export income here. Further, with the volume of farm output increasing in North America, the United States and Canada will join the EEC in not looking favourably at requests for increased quotas of New Zealand agricultural products over the next year or so.

Even if export growth remains healthy and the balance of trade remains in surplus, the balance of payments deficit will increase further this year as a result of ever larger outward flows of invisibles payments (payments overseas for transport, insurance, interest etc). Despite the Government's spoken intention to introduce constructive policies to solve New Zealand's invisibles problem, growth in invisibles has not yet abated.

Net invisibles have nearly trebled since the National Government took office in 1975. The recent adverse trend in the invisibles balance has been largely caused by the servicing requirements on the large amounts of overseas borrowing required to finance recent balance of payments deficits.

With the prospect of the balance of payments deficit deteriorating further, it will be necessary to borrow even more from overseas. Already this year Government overseas borrowing has increased substantially.

In a recent address to Wellington businessmen, the Prime Minister and Finance Minister, Rob Muldoon, criticised journalists who portray a gloomy picture of New Zealand's economic prospects for not comprehending the budget. He declared that "this year's budget gave the interested and intelligent observer a much clearer picture of the Government's overall economic strategy".

Indeed, the Government did finally present a sort of economic strategy in this year's Budget. Advice from economists may finally be registering to the Government.

But with inflation rising ever nearer the 15 per cent mark, unemployment creeping towards 50,000, the Government budget deficit heading for a new record level and the balance of payments deficit deteriorating rapidly, isn't it about time the Government started to do something?

THE NEW ZEALAND BALANCE OF PAYMENTS ($ million)

	Year Ended:				
	June 30, 1978	Sept 30, 1978	Dec 31, 1978	Mar 31, 1979	June 30, 1979
Exports	3,336	3,125	3,623	3,840	4,011
less Imports	3,098	3,084	3,117	3,263	3,539
BALANCE OF TRADE	237	311	506	577	502
Net Invisibles (1)	-880	-916	-959	-1039	-1129
Balance of Payments (2)	-643	-605	-453	-462	-627

(1) Including transfers (2) Current account

Exchange rates

Exchange rates as at 8 September 1979. $1NZ is worth:—

Australia	.8938
Britain	.4483
Canada	1.1756
Fiji	.8212
Japan	221.22
West Germany	1.8185
USA	1.0054
Austria	13.28
Belgium	29.18
China	1.5388
Denmark	5.2526
France	4.2432
Greece	36.47
Hong Kong	5.0065
India	7.9518
Italy	815.09
Malaysia	2.1831
Netherlands	1.9981
New Caledonia and Tahiti	77.12
Norway	5.0021
Pakistan	9.7744
Papua-New Guinea	On application
Portugal	49.21
Singapore	2.1593
South Africa	.8327
Spain	66.11
Sri Lanka	On application
Sweden	4.2214
Switzerland	1.6465
Western Samoa	.8853

Selling rates supplied by CBA Bank.

NBR BUSINESS WEEK

Bank moots 'real' as a dollar replacement

by Peter V O'Brien

THE proposal of Reserve Bank Governor, Ray White, to introduce a "constant value unit of accounts", which he shortened to a "real", seems a sophisticated combination of the systems of inflation accounting known as "Current Purchasing Power Accounting" and "Current Cost Accounting" (CCA).

White outlined his scheme to a meeting of the Economic Society of New Zealand's Wellington branch.

He said: "Let us explicitly recognise that the dollar is no longer a constant measure of value over time and stop using it as if it were. A replacement would be necessary for this function of the dollar. I suggest the introduction of a constant value unit of account (to save words I shall call it a 'real') for use in future debt and other contracts which require the use of a unit of account and which also involve a time element.

"The real would have a value equivalent to a wide ranging package of traded goods and services.

"Its value would therefore be related to the dollar by an index of the dollar prices of those goods and services measured by the Government Statistician from time to time.

"On the day of introduction of the real $100 would equal 100 reals. If the price index rose by 10 per cent in the following year the 100 reals at the end of that year would be worth the same volume of goods but these goods would then be priced at $110.

"Thus the real would be worth $110. The price index would have to be compiled and announced at frequent intervals — perhaps monthly."

The Richardson committee into inflation accounting in New Zealand considered the Current Purchasing Power Accounting (CPP) system.

The method was developed in the United Kingdom, where the Accounting Standards Steering Committee issued a provisional "Statement of Standard Accounting Practice on Accounting for Changes in the Purchasing Power of Money".

The New Zealand Society of Accountants issued a similar exposure draft in 1975.

Richardson described the central feature of the method as: "the adjusting of the accounts prepared on the historical cost basis to reflect changes in the purchasing power of money by applying a general price index. Its concern is the maintenance of the purchasing power invested in the enterprise".

The unit of measurement in CPP was described as "general purchasing power units based on the Consumer Price Index. The unit of measurement is a purchasing power unit instead of a monetary unit."

Compare that definition with White's "constant value unit of account". But White and the CPP proponents differ on the type of index. NBR asked White last week whether he favoured the Consumers Price Index, or the General Price Index (which compares increases in inputs and outputs, from a base 1000 at the end of 1977. That index is examined regularly in NBR).

White said that a new index was required.

The General Price Index apparently includes some "double counting" in his view.

As an example, he gave the price of stock bought by farmers, which goes into one part of the index, and the cost of meat, which appears in another. Part of the latter includes the former.

For the purposes of this article, it is appropriate to set out detailed aspects of White's "real" system, with the related (or nearly related, because differences appear) elements of CPP and some of CCA.

White would record shareholders funds in reals, as his first point, and second would record loan capital in reals where the debt instrument is denominated in reals.

Under CPP the "capital to be maintained is the purchasing power of the monetary amount of the shareholders' or proprietors' interest in the enterprise at the beginning of the year" (Richardson, page 67). Monetary items (which seems to include White's "loan capital"), are "recorded at their present contractual amount. By their nature these items are already expressed in terms of dollars of purchasing power at the end of the period" (Richardson, page 87).

Richardson said one advantage of CPP was that it "highlights the impact of inflation on monetary balances in showing a loss in the case of net monetary assets because of declining purchasing power, and a gain in the case of net monetary liabilities, since liabilities are to be repaid in monetary units of depreciating currency".

Then we come to differences between White and CPP. White's third technique reads: "Purchases and sales of assets whether fixed assets, trading stock or financial assets (if denominated in reals) would be recorded in the general accounts of the business at the time of purchase or sale in reals converted from dollars at the current index. Assets would be revalued each year on current cost principles by reference to the market-place and converted to reals at the then current index.

"The asset account would also record the purchase cost or sale proceeds in dollars to preserve the integrity of double entry accounting. Debts to suppliers would be recorded in dollars and settlement would also be in that currency."

Richardson covered some of these matters in four passages about CPP:

- An additional charge is made (to profit) based on restating the opening inventory in dollars of current purchasing power as at the end of the financial year.
- (Sales purchases and other costs) are increased by the change in the index between the average date on which they occurred and the end of the year. This adjustment increases the profit where increases in sales exceed the increases in costs included in this heading.
- Specific changes in the value of an asset are not recognised until the item is realised, (with two exceptions). But the method does measure the increase or decrease in the general purchasing power experienced by the enterprise as a result of holding assets and liabilities.
- In the basis of valuation, a distinction is drawn between monetary and non-monetary items. The recording of monetary items has been described earlier. Non-monetary items are recorded at their historical cost, but are adjusted for changes in the purchasing power of the dollar since they were acquired or revalued.

There are two exceptions:

(1) Inventories are recorded at net realisable value if this is below the adjusted historical cost;

(2) fixed assets are recorded at their estimated value to the business if this is lower than the adjusted historical cost.

Fourthly, White would record services given or received in the same way as assets. He would deal with depreciation of "wasting assets" by making it allowable on the current cost value of the asset, expressed in reals, thus bringing in CCA ideas.

In CPP, additional depreciation is deducted, based on the cost of the assets measured in terms of dollars of current purchasing power.

It can be noted here that there could often be a distinction between the "current cost value of the asset expressed in reals", (the latter being based on an overall index, and the former on the market price) and "the cost of fixed assets measured in dollars of current purchasing power", because the CPP system translates the historical cost of the asset to current purchasing power of that cost, rather than the actual price of the item.

Richardson listed several objections to CPP, two of which appear to be at least partially overcome under White. The first was:

"The purchasing power of money depends on the use which may be made of money. A unit of measurement based on the basket of goods and services comprising the particular index, such as the Consumer Price Index, will not be equally useful to all users of accounts in this respect."

Second: "It disregards changes in specific values of assets except where these fall below the general increase in the level of prices"

White appears to be marrying current cost accounting (CCA) concepts with CPP in these areas.

White accepts CCA principles in regard to holding gains and losses for monetary items, saying these would be treated, in "real" terms, as in Richardson.

CCP accounting shows holding costs in respect of monetary items separately. Describing the method, Richardson says, in relation to CPP: "Holders of monetary assets lose general purchasing power during inflation.

"Conversely, holders of monetary liabilities gain. Holders of such non-monetary assets as inventories, plant and buildings are assumed neither to gain nor lose in times of rising prices."

The Richardson CCA system for dealing with these items is set out in Chapter 19 of the report — pages 132 to 140.

Finally, White would convert balances in all dollar accounts, including dollar denominated loans and investments, to reals on balance day and reconvert them before the opening of the next accounting period.

"The effect of this procedure on dollar denominated investments and borrowings is to make the inflation compensation component of interest non-assessable in the case of investments and non-deductible in the case of borrowings. It thus puts existing financial assets and liabilities on the same tax basis, so far as business entities are concerned, as those denominated in reals. This is a valuable by-product of a system of adjustment which is consistent both within the business entity and in the contractual relations of that entity with outsiders. It thus provides a relatively easy transition from historic cost accounting."

Thus there would be an incentive to save, in the form of financial assets, and to lower the interest rate payable when financial institutions make investment, for example in house mortgages, a problem which has concerned White for some time, and is one reason for developing the "real" scheme.

White was not advocating indexation of taxes in his paper. He told NBR that indexation was a separate matter. In the paper he says "whether the concept (of reals) should be extended to the income tax scales is a matter for the Government but there are very obvious advantages in doing so".

He is concerned that "action required from the Government would be recognition that the inflation increment in the dollar value of assets denominated in reals would not be taxable, and that business accounts could be denominated in reals and depreciation and profits assessed accordingly".

Allowance for movements in taxes and prices has been tackled by the British Government.

A new "tax-price index" was released recently in Britain. It measures the impact of changes in both taxes and

prices, and shows what increase in gross income before tax is needed to keep the same amount of net income in real terms after tax, taking account of price changes.

By including both price changes and tax changes, it is hoped that a tax cut will be taken into account in wage negotiations, rather than the present system of using only upwards movements in prices. (Conversely, a rise in tax rates would produce the opposite effect if prices also rose or remained static.)

Its release coincided with announcement of price rises following the British Budget which increased indirect taxes, and therefore the price of goods, but reduced income taxes. The index records tax cuts before they appear in pay packets, so the first issue included a series of tax movements which occur through to the end of October. It excludes people on high tax brackets, because under the British system they are paying substantial amounts of tax, and changes to the tax rates at the lower end of the scale have a different impact on them.

The system excludes non-taxpayers, including pensioners, and welfare beneficiaries who are still affected by price increases, but the British have an associated price index for pensioners.

Dealing with inflation realistically (no pun intended) has produced many schemes. A combination of CCA, White's "reals", and a tax-price index, might help to overcome some of the problems associated with all the systems, but there will never be perfection.

Public service costs push up Price Index

by Peler V O'Brien

THE cost of public services is pushing up the General Price Index.

Last week the Government Statistician released figurea for the year to June, covering input costs for industry groups and output pricea where the latter are available.

The all industry geoeral price index (which measures the costs of industry and the factory door prices (for output) was 1231 for inputs at June, compared with 1054 a year earlier, and a base 1000 in December, 1977. The annual movement was 18.8 per cent, and the change since the index was compiled in 1977 now stands at 23.1 per cent.

Unfortunately there is insufficient information on output prices in some industry groups to allow assessment of the output index for all induatry groups.

Previous examinations of the index here commented that consistent increases in inputs for particular industries give an indication of future price rises for outputs, if the latter fall behind the input costs. A rise in inputs puts pressure on industry margins unless there is a compensatory movement in output prices.

The latest index confirms that view. The electricity, gas and water sub-group jumped from 1059 for inputs at June, 1978 to 1558 this year, a change of 46.8 per cent. The increase results from the substantial lift in bulk charges for electricity. On the output side of the sub-group, the index stood at 1443 in June, compared with 1073 a year earlier, a shift of 40.4 per cent.

Input and output figurea for that group tend to move together, because higher bulk electricity costs pass immediately to the consumer.

The communications sub-group, which includes the Post Office, gives a better indication of likely price increases to the user. The output index for that sub-group has been static at 1000 since December, 1977.

NBR's previous analyses of the index suggested that new postal and tele-communications charges were imminent as tha input index continued its rise.

The input index was 1187 in June, as against 1055 in June 1978 and 1000 in December 1977. The June on June figures went up 13.4 per cent, while the 18 months growth was 18.7 per cent. Thera was no change in the output index over that period.

Figures for the September quarter will reflect the latest round of postal and other communicationa chargea announced in the Budget.

The output index will record a substantial advance, bringing Post Office revenue into a better relationship with costs, although the former includes a provision for financing part of capital expenditure from trading incoma.

Changes to induatry groups which include public services should have a corresponding impact on other groups. Producers' costs reflect the price of electricity, communicationa and other services.

The economy is already seeing flow-on effects as companies and other traders attempt to recover input costs. The paper, printing and publishing induatry is an example.

Publishers (including the proprietors of this distinguished weekly) have to cope with massive postal billa arising from the Government's decision to alter rates. They also face increased overheads when the price of electricity goea up.

It ia possible to hold prices for a while if there are reasonable profits, and if growing circulation and advertising income produce the benefits of marginal costing. But constant rises in charges for essential services provided by the central government and local authorities lead inevitably to a price rise for the final product.

A similar result is seen in the food, beveragea and tobacco sub-group, although the output index has a closer relationship to inputs, because consumer prices alter in line with tax policias.

(Input prices are described as "producer's prices and include commodity taxes paid and subsidies received by the producer").

The Budgat imposed new taxes on beer and tobacco on June 21. The input index was 1408 on June 30, compared with 1248 on March 31 (up 12.8 per cent), 1043 at June, 1978 (15.8 per cent) and 1000 in December, 1977 (40.8 par cent).

Rising food pricea affected inputs over the total period, but the March to June figures would include the taxes on beer and tobacco. The output index was 1294 on June 30, 1212 on March 31 and 1045 in June, 1878, so it appears that consumer prices were still adjusting to taxea when the department of statistics closed off its price surveya.

The time lags apparent in the relationship between inputs and output figures may indicate the next quarter's likely increase in the Consumers Price Index.

A 18.8 per cent change in inputs for the total general price index in the June year should flow through to consumer prices in the September year.

The CPI went up 12.4 per cent between June 1978, and 1979, and on the basis of the GPI figures there could be a higher movement in the year to June.

If the 18.8 per cent GPI increase were reflected in a 15 per cent CPI change in the September year, there would be a 4.8 per cent price lift between June and September this year.

An annual CPI increase of ... per cent to September would result in a June to September movement of 3.9 per cent, compared with 4.5 per cent in the June quarter.

Those projections are rough calculationa, but they suggest that the CPI figures for the September quarter will be similar to the previous three months.

Freightways issue set for success

by Peter V O'Brien

FREIGHTWAYS Holdings Ltd, Auckland based transport operator and fraight-forwarder, produced a good result for the year to June 30.

Net profit was $4,642,000 compared with $3,005,000 in 1978 and $3,040,000 in 1977. The figures are exclusive of extraordinary items. They accounted for another $139,000 in 1978-78.

The dividend is increased from 16 per cent (8 cents a share) to 20 per cent (10 cents a share).

Immediately after the announcement last week the 50 canta shares aold at $1.20. Tha dividend yield was 8.33 par cent.

The return on shareholders funds increased to 23.2 per cent as against 1078's 18.9 per cent.

The company is having a cash issue, which has been a possibility for more than a year, given the steady reduction in the proprietorship ratio in recent times.

The Stock Exchange Association issued a statement last week that the one for four cash issue at a premium of 20 cents (70 cents in total) waa non-renounceable.

The report issued by the company to the exchange did not include "non-renounceable", a term which would be hard to credit to Freightways, because that company is opposed to share issues which fail to carry rights trading.

The issue should be wall supported, for several reasons. First, the market is short of scrip, aftar a aeries of takeovers, no naw companies coming to the list for a long time, and a lack of cash issues from other groups. There have been bonus issues in profusion, which increases the total number of shares on issue, but existing shareholders may tend to hold that scrip.

The attractiva terms are a second reason for the issue's likely success. At a price of 70 cents, the dividend yield from a 20 per cent dividend is 14.28 per cent. It is understood that the company intends to maintain the dividend in 1980 in the absence of any extraordinary occurrences.

The now shares qualify for 50 per cent of the interim dividend to be paid in respect of the year to June, 1980, and all the final dividend.

The interim dividend in 1880 may differ from that paid in the latest year, because the current split is 9 per cent for the first six months and 11 per cent for the second. In previous years 8 per cent has been paid in each half.

Assuming that the 1980 interim payment is 10 per cent (5 cents a share) to maintain parity between the two halves of the year, the "dividend difference" between tha old and new shares will be 5 per cent (2.5 cents a shara), being 50 per cent of the assumed interim dividend.

That means an existing shareholder will receive a yield of 10.7 per cent in 1979-80 and will then go to the 14.28 per cent mentioned earlier.

Both calculations ignore the tax-free element of the payment, which represents ... cents (8.5 per cent) the ... year. Therefore the effective yield, if the company maintains a similar distribution from tax-free reserves, will be higher, depending on each shareholder's marginal tax rate.

The table shows the theoretical rights price at a range of market prices "cum issue", the ex rights price and the equivalent dividend yield based on a full 10 cents dividend.

The full amount of 10 cents a share (20 per cent) has been taken in the table, because the yield would be slightly higher on the new shares after the dividend difference. The reason is that the adjusted 7.5 cents (15 per cent) for the new shares will be paid on an amount which the shareholder will have invested for less than a year.

If that money were invested for nine months the adjustment would make the yield on new shares the same as shown in the table.

Freightways is benefiting from several developments in the last three years. The company has engaged in some diversification, and emphasised the need for efficiency and removal of activities which fail to reach overall corporate profit goals.

When the shares were selling at $1.20 they gave a dividend yield of 8.3 per cent. The table shows that the equivalent yield after tha issue results in a cum price of $1.50.

Tha market can expect good rights trading from the Fraightways issue, on the basis of the yields available to purchasers of rights over a range of cum issue prices.

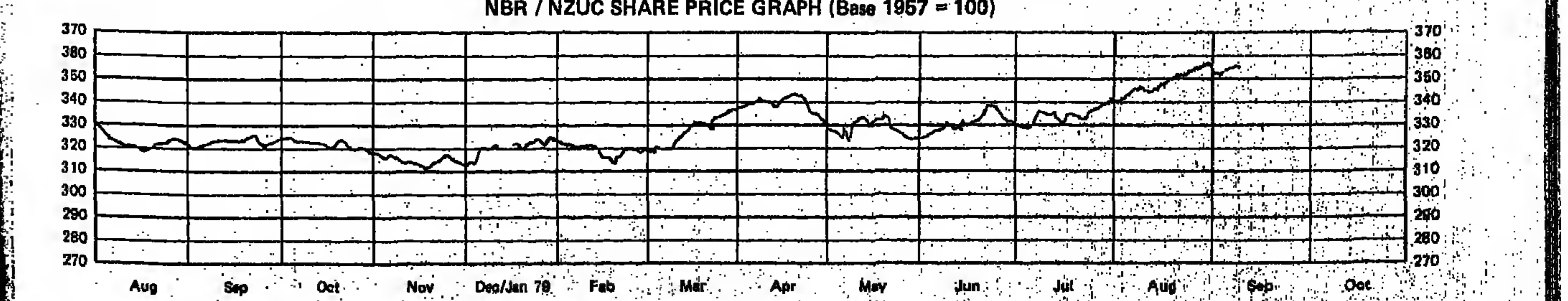
Cum Price	Rights Price	Ex Rights Price Yield (New shares)	Dividend Per cent
120	23.5	93.5	10.4
125	27.5	97.5	10.0
130	31.5	101.5	9.6
135	35.5	105.5	9.25
140	38.5	109.5	8.0
145	43.5	113.5	8.6
150	47.5	117.5	8.3
155	51.5	121.5	8.06
160	55.5	125.5	7.8

NBR SHAREMARKET SURVEY

WEEK ENDING SEPTEMBER 6, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
115	100	AIRNOSK,50C	115	...	...	12.0	0	5.2	4.5
230	130	AJ4N G.S.N.	230	230	223	13.0	1700	3.7	4.6
410	90	A.J.WHITE	110	...	...	11.5	0	10.5	4.8
110	105	ALCAN,50C	140	140	138	20.0	2800	2.1	4.3
253	220	A.N.I.	242	245	242	16.0	5700	6.8	1.7
76	81	ALL44HCN,50C	65	67	65	14.0	13500	10.8	3.4
280	230	ALLAID 74NNING	270	275	270	14.0	20500	5.2	5.9
200	124	ALCIID PSEIA	200	200	200	11.0	1000	.0	9.5
220	220	ALL64 NYNIL	220	...	...	15.0	0	6.8	122.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1967 = 100)



Agricultural export: Govt faces hard choices

by Colin James

A LIFT in production this season, but question marks over next — that is the most likely outlook for the meat and wool farmer.

The prospect of a lift comes from the latest annual review of the industry by the Meat and Wool Boards' economic service.

But in that same report are contained the seeds of some hard decisions ahead for the Government.

The review notes that the 1978-79 July-June season was a good one and that of total increased export receipts in 1978-79, the pastoral industry, accounted for roughly two thirds.

The corollary of this, and of the Government's declared support for more rapid growth in agricultural exports, is that production is likely to rise during the current season.

"However," it adds, "investment levels must be increased and sustained if a significant lift in output is to be achieved."

Other evidence contained in the report suggests that investment levels may in fact begin to fall as higher fertiliser prices affect fertiliser application and the terms of trade (possibly) turn against the farmer again.

The review notes that over the past four seasons, gross agricultural production first rose — by 9.8 per cent in 1975-76 and 1.0 per cent in 1976-77 — and then fell — by 4.1 per cent in 1977-78 and 2.0 per cent in 1978-79.

Total meat and wool production moved differently. After rising in the three years to 1975-76 in the wake of the wool and beef boom of the early 1970s, production fell 6.9 per cent in 1979-77, rose 0.6 per cent in 1977-78 and fell 6.0 per cent in 1979-79.

In each case, the main contributor to the drop in production was beef. Beef and veal production fell 9.1 per cent in 1976-77, rose 0.7 per cent in 1977-78 and fell 13.7 per cent again in 1979-79.

Wool and sheepmeat production also fell in 1979-77 — by 2.3 per cent and 2.9 per cent respectively. But both have been rising since, wool by 2.8 per cent in 1977-79 and 3.2 per cent in 1979-79 and mutton and lamb by 0.9 per cent in 1977-78 and 1.8 per cent in 1979-79.

This reflects a turnround in sheep numbers. After falling during the early and mid-1970s to a 10-year low of 55.3 million in June, 1975, sheep numbers rose 1.9 per cent the following year, 4.9 per cent the year after and 5.2 per cent the year after that to a record 82.2 million in June, 1978.

The economic service estimates that this rise has slowed and that there will have been a rise to 63 million at June this year.

Wool and sheepmeat production may therefore be reaching a plateau.

At the same time the fall in beef cattle numbers seems to be slackening.

Beef cattle numbers reached a record 0.3 million in June, 1975, and thereafter have fallen by 3.3 per cent, 4.1 per cent and 4.9 per cent in successive years to reach a six-year low at 5.9 million in June, 1979. In the year to June, 1979, the economic service estimates that beef cattle numbers have remained constant.

Thus, beef production may be bottoming out.

The question for the future is which way production will next move.

Two main factors are involved.

One is fertiliser. The price of fertiliser to the farmer actually fell in the 1978-79 year by 3.7 per cent. The economic service estimates that increased application on meat and wool farms last autumn will have meant an overall higher application during the year to June, 1979.

But in the past year the price has risen by more than 70 per cent, partly because of a halving of the Government subsidy and partly for other reasons.

This is certain to result in reduced fertiliser applications this year.

Generally, the economic service estimates that an average of roughly 20 kilograms of fertiliser needs to be applied for each stock unit to maintain stock numbers. (This, of course, varies according to the type and location of farm.)

Since the 1976-77 year applications have been above the 20 kilogram figure — around 21 or 22 kilograms.

Any substantial drop in fertiliser application would bring the average below 20 kilograms. The implication of that would be a fall in production in the 1981-82 year, since there is roughly a two-year lag between fertiliser application and its effect on output.

Partly, the rise in fertiliser price may be offset by a general improvement in meat and wool farmers' financial position.

Between 1978 and 1979, input prices increased 9.1 per cent, well below the 15.8 per cent increase between 1977 and 1978.

At the same time meat and wool prices continued to rise, particularly for beef, prices for which nearly doubled.

Thus, the meat and wool farmers' "terms of trade" — the relative value of prices received against prices paid out — improved nearly to 1977-78 levels, though well below the 1972-73 boom year level.

Net farm incomes, however, are estimated to be about 1 per cent below 1976-77 levels in real terms.

Two Budget moves were aimed at helping the farmer maintain his position. One is the 5 per cent devaluation, which will in effect mean a lift of about that amount in export returns, in New Zealand currency.

The second was the adoption of a flexible exchange rate designed to compensate for differences in the movement of New Zealand exporters' production costs and those of their foreign competition.

But this does not compensate for an overall upward movement in production costs.

This year, input costs are expected to rise by 15 per cent or more, not all of which can be recouped through the flexible exchange rate policy.

"Off-farm" costs, such as shipping and handling charges, are also expected to continue to rise. The cost of getting a lamb from farm gate to the English wholesaler rose 21.5 per cent between July 1978, and July 1979.

So, to maintain their "terms of trade", or real incomes, at the 1978-79 level, farmers will need another rise in prices during this year. Though prices continue to hold, there is some reason to fear that by the end of the season there will be a fall, not a rise.

The Government may then be faced with some hard choices.

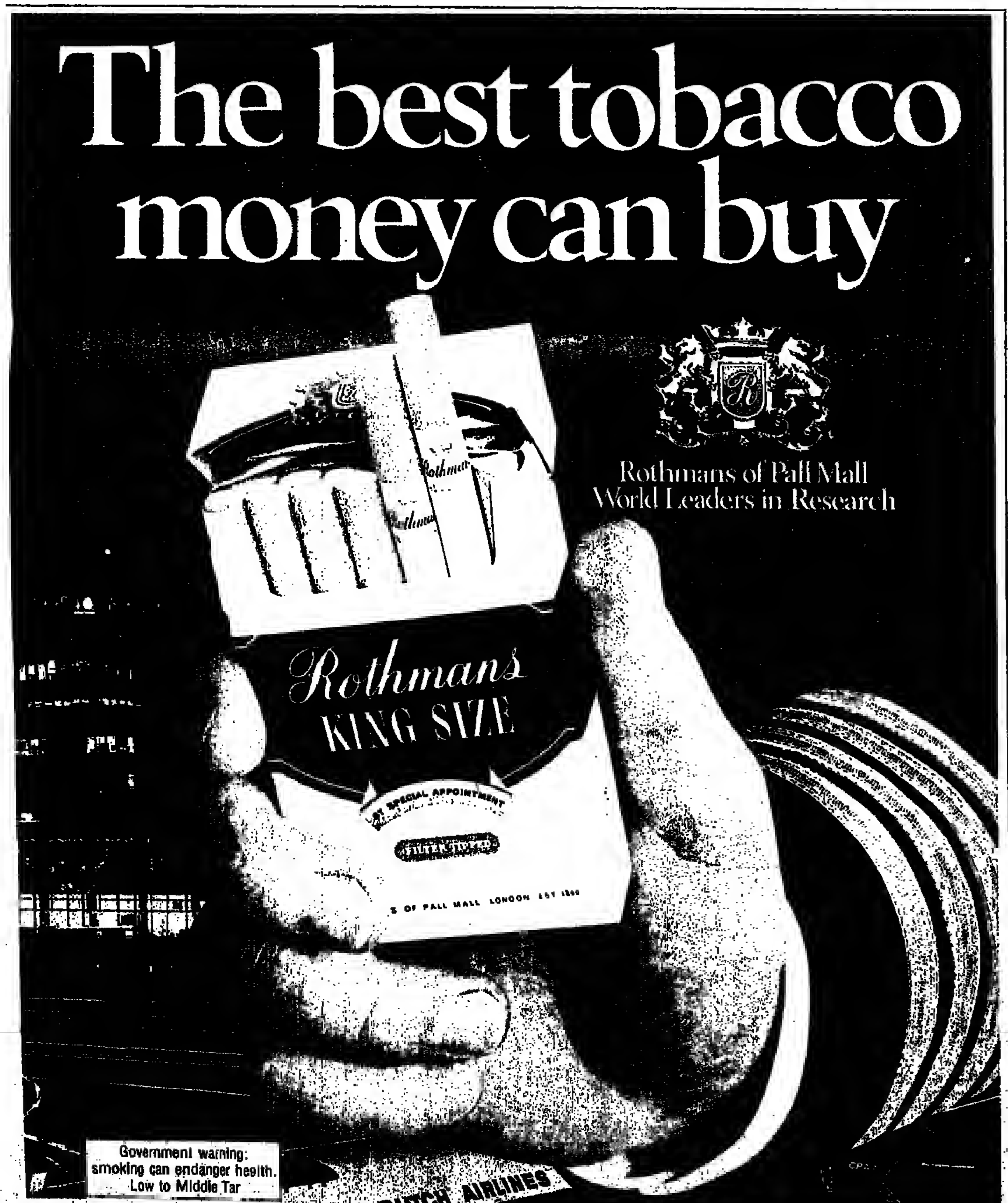
The economic service notes that during the 1978-79 year farm investment was 45 per cent higher than the minimum necessary for maintenance. In other words, it was not enough to ensure a significant growth in output.

The higher fertiliser applications in 1978-79, coupled with more favourable climatic conditions suggest that there will be some lift in output in the 1979-80 season, the economic service review says.

"However, if strong and continuing growth is to be achieved in the industry, investment levels will need to be higher than has been achieved in recent years," it adds.

During the mid- and late 1970s, Government has rediscovered the crucial importance of agricultural exports to the country's opportunities for economic growth.

How to ensure the necessary investment will be one of the knottiest questions for the early part of next year.



By George—that surgery may not be necessary

by Belinda Gillespie

THE Wellington Hospital Board's decision to close a surgical ward to save money has stirred usually silent surgeons into making dire predictions of a public forced into long waiting lists for the chop.

So-called non-urgent cases, will be postponed indefinitely, the surgeons say.

Some patients will need more serious surgery and a longer hospital stay when finally admitted.

Illnesses will worsen as waiting lists grow, and private hospitals and medical insurance schemes will flourish.

But Health Minister George Gair has publicly defended the board's decision, and affirmed his belief that patients really in need of treatment will get it, while only those of very low priority will be stood aside.

The Gair view appears to be that any cut in health costs is a good one. The over-burdened area of health and welfare spending cannot continue to grow at the current rate. And as the biggest spenders in the health sector, the hospital boards must be forced to tighten their belts by a notch or two.

Gair is unphased by the suggestion that the Wellington board may be trying to call his bluff in closing "sensitive" surgical and paediatric wards.

There is no bluff to call — all the money is gone, Gair said the other day, and no action of the board will produce more.

In making up his mind between the accountant's view, on the one hand, and the special-interest group (the surgeons), on the other, the layman is between the devil and the deep blue sea.

Neither side produces hard data — only generalised threats as to the loss of an essential health service, on the surgeon's side, and the jingling of the money-box on the other.

Hospitals are generally regarded as safe places in which to recover from illnesses, and surgery as an essential life-saving procedure. But there are dangers in any form of medical procedure, including bed-rest and aspirin, and surgery is very risky indeed.

The patient who willingly submits to poison gases which knock him unconscious, or has his nerves blocked with toxic chemicals before being cut about by a surgeon has been psyched with a frame of mind where all the usual reactions to dangerous situations are suspended.

The acceptance of surgery as necessary to recovery may be misplaced. Harvard's Professor John Bunker has estimated that 90 per cent of surgery is not emergency in nature but is directed toward the improvement of the quality of life — to the relief of disability, discomfort and disfigurement.

From one country to another, and in proportion to the population, there is a great variation in the numbers of surgical procedures carried out. Assuming that all those who need emergency surgery get it, the differences have been attributed to quality-of-life operations.

Forty years ago an English doctor noted that more children had their tonsils taken out in some parts of England that in others. An international comparative study 10 years ago found big differences for the rates of several common operations in American, English and Swedish hospitals.

In America, subscribers to some types of health insurance plans have more operations than others.

Some of this can be explained by differences of medical opinion about whether surgery is required — as with tonsillectomy — and the relative virtues of surgical versus medical management of some conditions (like peptic ulcer.)

Some operations, like hernia repair, may be deemed necessary by the surgeon, but are "elective" from the patient's standpoint. Does he want an operation? Can he pay for it? Can he get a hospital bed to lie in? And a surgeon to carry out the operation?

Charles E Lewis, an American doctor, suggests that these are some of the considerations, apart from the actual incidence of disease, which could be assumed to affect the rate of surgery in a population.

Providing there is a certain minimum number of beds and surgeons to meet need, and operations are performed only when necessary, an increase in resources — beds and surgeons — should not result in an increase in the frequency of surgery.

But in an analysis of the records of the Kansas Blue Cross Association, Lewis found that even among the subscribers to a single medical insurance plan, with equal benefits and equal accessibility to care, there were great variations in the number of operations carried out from one area to another.

Hernia repairs and tonsillectomy were related to the number of doctors certified and performing as surgeons, while gall-bladder operations were associated with the availability of board surgeons and hospital beds.

More surprising was the discovery that even appendix operations were highly assocated with the number of hospital beds and operating physicians available.

Lewis refers to an earlier study in the New York area which found that some hospitals had far higher rates for appendectomy than others. Where there were relatively few appendix operations carried out, the death rate from appendicitis was no higher.

The conclusion was that "in areas served by hospitals where operations are not controlled strictly, the simple factor of greater accessibility to hospital and medical care is a deciding factor."

It would be comforting to assume, Lewis suggests, that hospital beds are built and surgeons aggregate in areas that have the greatest numbers of people prone to appendicitis or gall-bladder disease as well as other surgical illnesses, but he has the impression that "ritualistic surgery" — a term which has been applied to operations such as circumcision and tonsillectomy — extends to other operations as well.

Lewis suggests a medical variation of Parkinson's law, where patient admissions for surgery expand to fill beds, operating suites, and surgeons time.

Lewis' conclusions have been challenged by other writers, but no one has come up with a satisfactory answer to the question of variation in surgery in different regions.

Studies by Lewis and others at least challenge the doctrine of the infallibility of surgeons and give the health consumer an awareness that they too are subject to human variations in judgment.

The claim that New Zealand is over-hospitalised in relation to its population size is surprising to someone who has had a long wait for minor surgery.

But "Even our largest and most hard pressed hospital boards run daily with unfilled beds and under-utilised capacity reflecting an ill fitting mix of buildings, equipment and staffing," (D A Preston, NZ Medical Journal 1977).

There is no evidence to show that increasing the number of surgical beds available would reduce hospital waiting lists, or, on the other hand that pruning beds will cause a deterioration in public health.

Without going to the extremes of Ivan Illich, who suggests that the medical establishment itself poses a major threat to health, there seems to be enough reason to believe that the existence of hospital beds, even surgical ones, is no guarantee of good health.

In fact, more surgical beds may mean unnecessary operations for a population which accepts without question that surgery is an essential procedure.

The closure of a hospital ward is a procedure bound to arouse public alarm.

Again, the surgeons' claim that the closure of a surgical ward will lengthen waiting lists is an emotive one, which has been countered by the suggestion that the waiting list in itself performs an important weeding-out function, giving time for patients to reconsider, and natural causes such as death or recovery to take effect.

Gair's apparent lack of interest in what form cuts to the hospitals' budgets are made, as long as they happen, is perhaps greater cause for alarm than the closure of a surgical ward in itself.

Accountant — like ad hoc tinkerings with the hospitals' budgets seem doomed to failure. Boards in some cases have commitments up to 25 years ahead, and the Government is making only minor changes where a whole new direction is needed.

GEORGE GAIR . . . there is no bluff to call.

Selling to sun-seekers

IF YOU meet any friends wearing a new golden tan, don't rush to the conclusion that they've just returned from a Pacific island holiday.

It could be that they have merely been basking under a Philips sun lamp. There has been a considerable increase in the numbers of baskers lately.

Last spring Philips eased its sunlamp on the market but as winter was past there was no promotion of any consequence. Nevertheless, the sales experience was encouraging.

This year, a big sales target was set and there was time to organise a planned marketing operation for winter selling.

The time to sell summer, as tourist operators know, is in the winter.

Like migrating godwits, New Zealanders in their thousands yield to persuasive sell and fly north toward the equator and the sun during our winter months.

This Philips operation called for the stay-at-homers to bring the sunshine indoors with a sun lamp.

The marketing proposals had their derivation in extensive market research

When you can't get to the Mediterranean Philips can get the Mediterranean to you

PHILIPS

carried out by the agency, Ogilvy & Mather, with the object of identifying the primary target markets and the propensity to purchase.

This was followed by copy testing designed to check out on promise and communication elements. The primary target markets were found in the male and female middle and upper groups; those with leisure opportunities and having some concern for appearance.

They were looking for a natural looking tan but were concerned with safety factors involved in using a sun lamp.

The new Philips product overcomes the disadvantages and risks of sunburn which were often painfully realised in much earlier models.

It has safety features which ensure tanning without burning — even switching off the lamp when the daily session is completed.

Because of the importance of the copy story, it was necessary to detail it in print. Listener and Women's Weekly colour were used to reach the target market, although the media weight was in favour of women.

The copy theme was "You are my sunshine" and the copy boldly declared that "the sun is no match for these safety features".

Stoutly resisting the opportunity to display copious areas of female pulchritude, the agency made the product the hero of the illustrations.

But although the print medium was used to provide the solid sell of product benefit, the promotion was fired by a short, sharp and unusual radio burst.

The action was concentrated into five days culminating and climaxing on the shortest day of the year.

Five private and four RNZ stations were used in a mix of 30 and 60 second recorded ads plus ad lib.

Stations were provided with complete kits including a taped introduction to the campaign, reprints of magazine advertising, separate jingle tapes with "you are my sunshine" as a natural and other supporting material.

"The client had set what we considered a very high target for a luxury item at a time like this," O & M executive, Barry Manly told Admark.

"With half the budget spent, and it is a medium rather than a large-sized budget, we are right on the sales target to date. We still have another promotion to stage. Dealer reaction has been excellent and co-operation has been evidenced by massive in-store display support," Manly said.

Television could not be considered for this campaign, Manly said, because of the need to tell the sales feature story so specifically.

Media selection for this campaign once again illustrates that no one medium can do everything.

ADMARK

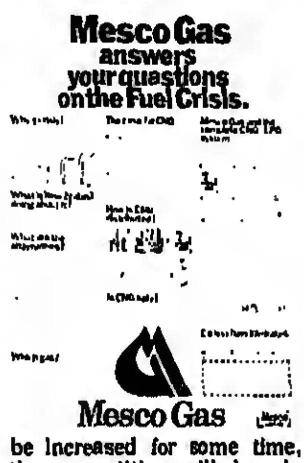
With the co-operation of advertisers and their agencies, this page is happy to record stories of advertising or marketing success. We believe that any ideas or techniques that point to a more efficient use of the selling tools at our disposal are beneficial to business. And what's good for business is good for all of us.

Mesco opens gas war

A FULL page ad headed "Mesco Gas answers your questions on the Fuel Crisis" looks like the opening broadside in the war of the gas fuel companies.

Mesco is a Ceramco subsidiary and the other majors are MSI and D McL Wallace which has been conducting a low-key campaign inviting enquiries.

Competition will revolve around the supply of equipment such as compressors, conversion kits, cylinders and the supply of gas. Because the current supply of LPG cannot



be increased for some time, the competition will largely centre on CNG.

The industry as a whole is scarcely more than poised for take-off so the Mesco ad is seen as a positioning tactic and a pre-emptive bid for the early attention of motorists.

Selling CNG will provide a testing marketing exercise. There are suitable company applications but selling to the private motorist means overcoming some formidable obstacles.

A conversion kit costs approximately $850. Its weight is sufficient to affect the performance characteristics of the car.

A tankful gives a range of only about 150 kilometres and motorists might find the frequency and time of gassing up annoying.

Still, many will prefer to suffer the inconveniences in order to eliminate the carless day.

New energy modes and energy conservation measures are gradually building up advertising turnover to replace the almost complete vacuum created when petrol advertising substantially disappeared.

Home insulation of various kinds is being consistently plugged as a way of stopping heat losses.

Manufacturers are reaching back into the past and reviving solid fuel stoves and ranges of the type that great grandma used. After a faltering start, solar systems seem to be taking off under the spur of interest free Government loans.

More and more options will become available as we take advantage of our rich store of energy opportunities.

Agency and PR men will need to brush up on their futurology.

INL names ad judges

THE judging panel for the INL Advertisement of the Year Award has been announced and its composition should meet with general approval from intending entrants.

A chairman appointed from Australia should provide a detached and objective viewpoint and the eight creative directors who make up the body of the panel represent a wide spectrum of agencies and bring a wealth of experience to the task.

But all of the panel are male. From all the creative people in New Zealand can we not find even one woman with the necessary creative background and critical faculty?

Bryce Courtenay, managing director of Harris Robinson Courtenay Advertising, Sydney, is the chairman. As seminar convener and moderator of the Caxton Awards in Australia, he will be playing a familiar role. A former company and creative director of McCann Erickson and J. Walter Thompson, he has won many Australian and international awards.

Other members of the panel are James Falconer from Thompson Advertising, Wellington; Peter Hansard, Dobbs Wiggins McCann Erickson, Auckland; Roger Hutton, Atherfold : Rimmington, Hamilton; Ray Kelsey, Charles Haines, Wellington; Ian Mackrill, SSC and B: Lintas, Auckland; Grant Marshall, Monahan Dayman Adams and Partners, Auckland; Lan Potts, Colenso Communications, Wellington; and Colin Simon, J. Ilott, Wellington.

Milk it in passing

JUNE 27: We ran a story critical of television milk advertising, expressing the hope that it made sense to the target audience.

August 1: We published a letter from Masius, the agency responsible, lambasting us for our views.

August 20: The Wellington City Council reports that milk sales to the end of July have dropped 5.2 per cent on last year.

Certainly milk has savagely increased in price, but should that affect those free-spending swingers we see on television?

Radio Pacific hits big time

RADIO PACIFIC has hit the big time in the latest BCNZ survey capturing 15 per cent of the day time 10 plus audience.

This places Radio Pacific in the number three slot in Auckland behind 1ZB and Radio Hauraki.

The last BCNZ survey rated Gordon Dryden's new private station at nil and showed BCNZ Government-owned stations rocketing to the top.

At that time the private stations hotly contested the BCNZ's methodology and results.

Also contested was the Government-owned radio stations use of these allegedly spurious results in a direct mailing campaign to advertising agencies (see NBR, June 13 1979).

But Dryden was cock-a-hoop about the latest BCNZ results.

He even paid out his $1500 to subscribe to the survey while some stations and ad agencies had threatened to cancel their subscriptions after the BCNZ's last effort.

Dryden was particularly pleased that Radio Pacific had broken 1ZB's hold on the breakfast listening audience with Pacific's Dave Beatson competing with Radio New Zealand on news.

The ratings for the 6 to 9 am breakfast session for the 10 plus age group in per cent of audience share were: 1ZB 33, Hauraki 25, 1YA 14, Radio Pacific 12, 1ZM 9, Radio i 5, and 1YC 2.

1ZB pipped Hauraki at the post in the 10 plus stakes with 27 per cent of the audience versus 25 for Hauraki.

1ZB, Hauraki, Radio Pacific and 1YA were strongest in the 20 plus age group. In this age group 1ZB led with 30 per cent, followed by Hauraki with 20, Pacific with 18, and 1YA with 16 per cent.

The following is a breakdown of results of the latest BCNZ survey compared with the five surveys published in May-June this year.

The earlier BCNZ survey was published in three parts. A four week survey of a small sample covering Radio Pacific's entry to the market. A nine-week survey . . . And a 13 week-survey combining the 4 and 9 weeks surveys.

McNair's survey was commissioned by Radio Hauraki and 1ZB. When the Government-owned stations started crowing about the results of the BCNZ's four week survey McNair was asked to produce some results and these were used to counter the BCNZ results.

Radio Pacific's survey was done by telephone, and while viewed with some scepticism by the ad agencies, has proven to be fairly accurate — if the latest BCNZ survey can be assumed to be a standard.

AUCKLAND AUDIENCE SURVEYS 6 AM TO 12 PM MONDAY TO FRIDAY 10 PLUS

STATION	McNAIR	BCNZ 9 wks	BCNZ 13 wks	BCNZ 4 wks	RADIO PACIFIC	LAST BCNZ
Hauraki	28	34	30	20	22	25
1ZB	30	31	31	32	33	27
1ZM	14	9	12	17	7	11
Radio I	8	9	10	10	9	8
1YA	-	13	14	15	13	13
1YC	-	4	3	2	2	3
1YA and 1YC	11	-	-	-	-	-
Pacific	8	-	1	4	15	15

Salt II and CO2 bode well for N.Z.'s future

by Michael Hirschfeld

New Zealand businessmen are pessimistic about the immediate future, but there are grounds for taking a more positive outlook in the longer term.

Unfortunately the longer term implies just that — a 10 to 15 year view, and takes into account some major but slow-moving world adjustments.

But many of the world's problems may prove a greater handicap to other countries than to New Zealand, whose resources may make the adjustments more simple with consequent gains to our economy.

Though the rate of New Zealand's economic decline is hardly known outside the members of the international financial bureaucracies of the IMF, OECD and World Bank, some far-sighted businessmen, looking at the more realistic futuristic predictions, are beginning to consider New Zealand as a rational long-term investment possibility.

There is no single factor which has started to direct attention to New Zealand. Rather it is part of the decline in expectations for the future of the traditionally industrialised West.

In America, the land of perennial economic optimism, where the expectation of economic growth is learned through the baby's bottle, the polls show a dramatic turn-about. One of the major reasons for President Carter's retreat before the announcement of his energy programme, (a retreat which tried to reassess his basic directions) was the fact that for the first time ever since the polls asking this question a majority thought "that the condition of the American economy during the next five years will worsen".

To explain the widespread feeling of depression apparent in America requires a study of several of the dominant issues now perplexing the American mind. And from an examination of the negative impacts that are likely on this society, a study of their effect on New Zealand suggests a somewhat brighter result.

Let's start with the basic issue of physical survival.

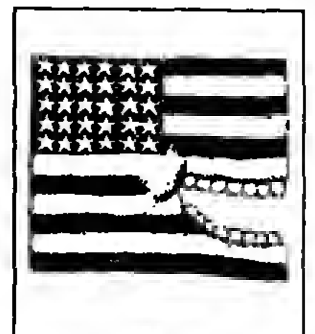
Salt II theoretically is designed to improve all our chances. But as more and more attention is focused on the reality, it is becoming clear that all it does is limit the number of missiles or vehicles, while allowing an increase in American nuclear warheads from 9200 to 17,000 by 1985 with similar or greater increases by the USSR.

In all probability it will only be passed on the condition that more money will be spent on more conventional arms, or there is the still worse possibility that it won't pass the Senate at all, setting up a massive nuclear arms race (that neither either needs or can afford) which will take place in an atmosphere of confrontation and distrust.

Those who are opposing the treaty are also busy painting this scenario: the Russians are able to launch a pre-emptive strike, so damaging the American response, that any United States strike, though able to obliterate metropolitan Russia, would be pointless because the Soviet counter-strike would totally devastate the United States.

All of this isn't exactly encouraging to American citizens. And as they look around the world, they see New Zealand as one of those places that might just escape.

In my first two weeks in the United States three people



THE AMERICAS

(well-established, not Utopian idealists) have asked about the possibilities of buying land and a home in New Zealand.

Moving on to other current and more immediate problems, Chrysler looms as the first of the current dinosaurs, struggling to fight its way out of the energy created tar pits.

But Chrysler is only the most visible of the problems that energy is posing in this country. Essentially, the United States is energy rich, particularly when one looks at the vast resources to be tapped from coal and oil shale resources.

The problems are only starting now that Carter has decided to keep the huge American appetite supplied with all the energy it needs to waste. The problems to be faced, technically and financially, are getting lots of airing and analysis.

But the impact of the new energy industries on other

PRESIDENT CARTER . . . keeping the huge American energy appetite supplied.

parts of the economic structure are only receiving attention in those areas that will undergo the as yet less well explored changes.

One of the problems of the new energy technologies is that they are enormous consumers of water, and the main American alternative energy resources are in water short, agriculturally intensive states.

One of the changes in the American West is that the federally subsidised cheap water is becoming a rarer resource. California's last drought came close to wiping out vast areas of fertile California farm land, and now the battle is about to be joined not with nature, but with the competing energy forces.

Already thousands of hectares are being lost annually, as the price of water rises, and the process looks like accelerating.

This in itself is not enough to immediately threaten American food self-sufficiency, but it will drive up prices.

Not only are water costs rising, but so will fertiliser costs and freight.

The supply of cheap, often illegal Mexican labour is also being slowly cut off, not so much at the sieve-like border, but rather through the growing struggle of Cesar Chevaz to bring a decent standard of living to this group of floating irregular workers.

As if all these reasonably short-term problems were not enough, another problem is emerging.

Since the Industrial revolution man has burned a growing amount of fossil fuels. This has led to a gradual build up of CO2 in the atmosphere, which was thought likely to double by the year 2030.

Growing evidence suggests that this will have a glasshouse effect, heating up the earth by an average of two degrees, though in higher latitudes much greater increases could be expected.

More significant than the temperature increases expected, would be the changes in wind and rainfall patterns. The year 2030 seems a long way off, but with the growing emphasis that is being placed on coal as an energy resource in the United States and in other areas of the world, including New Zealand, the rate of CO2 build up is expected to more than double, yielding a weather change situation by the year 2000. That is now within the orbit of existing policy makers.

Apart from the relatively well-publicised danger of the melting of the polar ice caps, what other changes may follow? This is an area in which a growing amount of scientific endeavour has been expended and some early predictions have dire consequences for the United States. If true they would open significant opportunities for New Zealand.

Some 5000 years ago there was a similar hot period on the earth called the alti-thermal period. In part, by drawing on this period, some rainfall predictions have been made.

Put simply, the central United States would become desert-like, totally unsuitable for growing wheat and corn.

And while the United States could change from the world's major grain supplier into an importer, the USSR would experience a several week-longer growing period, with larger amounts of water to ensure good growing seasons.

It could become the major world grain supplier, replacing the United States, with obvious accompanying international tensions; though Canada and Australia could be the two other major food-weather beneficiaries.

All this points to an increase of capital expenditure in the agricultural sector, with modern drip irrigation, controlled environmental farming, as America turns to long-term policies to ensure their basic food self-sufficiency.

Already those concerned with this issue are saying that food is too cheap, and that to repay the capital costs associated with agricultural production, food prices at the farmgate level will have to rise.

Because there is a good chance that this man-made change in climate will provide both additional heat and rainfall to New Zealand, as the free gift of Nature our competitiveness and importance as a food supplier could be enhanced.

The decisions being made in the next two years about the world's energy future may have vastly greater side effects than appear obvious at first thought.

Changes in the world's weather patterns may become obvious by the end of the century. Along with changes in domestic food production, we may see shifts in the international balance of power, that make the progress of Salt and future arms control negotiations of real and immediate importance.

These linkages can occur regardless of what we in New Zealand think or do.

But if expenditures such as those on the Commission for the Future are to pay the necessary dividends, we need to know more exactly the likely CO2 induced weather effects on New Zealand, and to build on knowledge rather than expect manna to fall from the heavens.

While the prospects may appear to be bright at this distance and in comparative ignorance, these long-term governmental problems are now the subject of academic-political discussions here in the United States.

Hopefully attention and thought will allow us to prepare for the prosperity offered us well as the inevitable problems.

Exhibitors negotiate to exclude general public from trade fairs

by Rae Mazengarh

AUSTRALIAN exhibitors boycotted Wellington's World Trade Fair. And several embassies indicated they would not be interested in participating until changes were made to the format of the fairs.

One official from an embassy which gave the event a miss, said many stands which overtly represented their countries were not in fact official.

It seems that in the days preceding the fair, exhibitors had differing views of what trade fairs were all about.

Should they be public or should they be geared to trade buyers only?

It is too soon to measure the fairs success in straight economic terms. Figures showing sales turnover will not be available for a month.

But according to show promoter Dick Dundas, the show was "a brilliant success". Exhibitors reported they had sold well and no one complained, he said.

Import licences may yet prove the stumbling block for long-term orders, but most goods brought in for the show under special import arrangements had sold out.

Dundas said he was not impressed by the Australian boycott, since the Wellington Show Association cut down the number of public days at the Australian exhibitors' request.

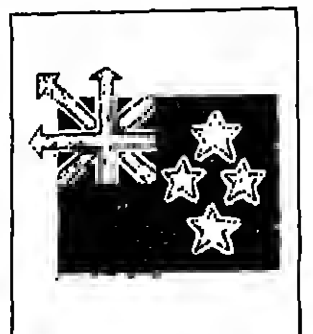
So much for economic co-operation, he said.

In the past the Australian Government has been one of the main supporters of the fair, held alternately in Wellington and Auckland.

But Australian exhibitors objected to the length of the fair — up to 21 days — and the admission of the public.

Many said they made their money during the trade days and regarded the public days as an unwanted cost. The atmosphere was not conducive to trade negotiation.

"We're disappointed our traditional partners were not interested in coming along", said Dundas, referring to the Australians.



OVERSEAS TRADE

But it is understood, the show association was disappointed with the turnout from other Western countries, such as Britain and the United States.

Many observers called it a real consumer fair. Dundas acknowledged this as "fair comment".

But it was necessary to provide for the needs of all the exhibiting nations. Some were there for straight trade deals, others were there to meet the consumer direct.

Dundas commented the mix of public and trade days provided a good testing ground for the goods.

"If the public queues, the retailers will order", he pointed out.

The Wellington fair was dominated by China and the USSR this year. Both had very large displays and had mounted a major drive to promote their goods in New Zealand.

These efforts evoked comment from many quarters that these countries were merely engaged in an expensive PR exercise. Would the buyers make it worthwhile?

According to an official of one of the Western embassies, "it was more propaganda than sheer business".

The Chinese stand, by far the largest in the fair, featured diesel engines, alternators, pumps, textile machinery, electrical instruments and laboratory equipment.

And they sold most of it.

Dundas said, all but two of the large pieces of machinery were sold, and one of the machines that didn't sell "was just a punt".

A Chinese official confirmed the fair was successful and most goods were sold.

Most of the negotiations were conducted on trade days he said, but more orders were expected for those things that sold well.

The most significant aspect of the fair was the potential for further development of trade in the future, he said.

In the Soviet camp, ambassador Vsevolod N Sofinsky had made it clear that his country was particularly interested in opening markets for cars and hydro-electric equipment.

The Lada cars were a big hope for marketing in New Zealand and toward fair's end over 3000 requests for Lada vehicles had been received.

Under present import arrangements, the Soviets can only sell 300 here a year, yet they repeatedly told reporters they would like to see that figure rising to 20,000.

Trade and Industry Minister, Lance Adams-Schneider said: "New Zealand cannot expect the Soviet Union to cut back on its own agricultural production in order to allow larger imports from New Zealand.

"Similarly, it is unrealistic for the Soviet Union to seek substantial long-term imports of completely built-up Lada cars to the detriment of the significant New Zealand assembly industry."

He added, the import licences for the Lada cars were granted on the basis that from the third year they would be assembled in New Zealand. This did not prove possible, so the licence was granted for a further year.

"The next step is for the Soviet Union to establish arrangements in order to have the Lada assembled in New Zealand, Adams-Schneider said. Then there would be no limit other than market demand.

A Soviet representative, referring to the growing number of orders, remained undaunted by the restrictions, saying later many and continued approaches had been made to the New Zealand Government.

Meanwhile, the trade balance was running 25-1 in New Zealand's favour, he said.

As it appeared they would not be able to meet the demand for the vehicles, the orders would be filled on a "first-come-first-served" basis.

He said it was hoped more consideration would be given to allowing more import licences.

The Soviets were full of praise for the show organisers and commented particularly on the great interest displayed by the general public in their goods.

Western exhibitors appeared somewhat bemused by the large numbers of public viewers, but said they got more benefit from the trade days.

A Scandinavian exhibitor said his company had been ill-prepared and missed the opportunity to make more use of the trade days.

"They are vital," he said.

Other exhibitors agreed, but views differed as to the preferred number of days open to the public.

From both the Austrian court and the staff representing the German Democratic Republic came a preference for more trade days.

A German representative said the trade days provided a more successful medium for negotiations. He recommended the fair be shortened to seven to nine days, and less emphasis on public participation.

The duration of the trade fair was "extraordinary", according to Counsellor for the Federal Republic of Germany W Friedel.

He said this was also the view of two trade fair specialists from overseas.

But he said a great deal of interest in this fair was displayed by both private persons and those in trade circles.

The approach of the Asean countries — Indonesia, Malaysia, Philippines, Singapore and Thailand — was two pronged, some exhibitors wanting to work up serious trade deals while others looked for opportunities to sell direct across the counter to the public.

Overall, the Asean countries considered the fair was a success, according to managing director of Trade Span and court manager for those nations, Sid Tse.

Primarily it provided exposure to New Zealanders of those nations making up the Asean group.

"It also provided details of the product capability of those

countries indicating their development," he said.

The balance of trade days and public days at this fair was considered "acceptable".

The Asean nations have varying needs according to their different stages of development.

"This being essentially an industrial fair, it is essential that trade days are there to finalise long-term sales arrangements," Tse said.

But in terms of socio-economic factors, some of the Asean nations are achieving their speediest development through handicrafts which create job opportunities.

"There is a voice from this sector for direct sales and this has been satisfied by the present format of the fair", he said.

He pointed out, in addition, public days are necessary to demonstrate to New Zealanders that they have product capability and quality.

Trade days will however, assume greater importance with development of the economies of the Asean nations.

Overall the objective was to demonstrate the nations, their

DICK DUNDAS . . . not impressed with boycott.

culture and economy — this has been achieved, he said.

The fair association tried to achieve a happy mix, Dundas said, but if it became clear exhibitors preferred to keep the majority of days free of the public, more thought would have to be given to this aspect.

But over 250,000 people moved through the gate during the public days, all paying for tickets, and many coming from all over the country. This interest could not be discounted.

DFC delights in NZ court concept success

THE New Zealand Court was a highly successful promotion, according to Roger Gaskell, a spokesman for the DFC, joint sponsors for the New Zealand Court with the Export Institute, Manufacturers' Federation and New Zealand Industrial Design Council.

"Sponsors were all very pleased with the results achieved — particularly in terms of showing the public the latest advances in New Zealand exports and new technology, and also bringing exporters together for the first time in Wellington in a New Zealand Court", he said.

Gaskell said exhibitors had reacted favourably to the New Zealand court, which they felt had created a special point of interest and had given a sense of identity to the companies.

In particular, the smaller enterprises, who in most cases were exhibiting for the first time in any major trade fair, benefitted greatly from the exposure both to the trade and to the public.

Several of these small business operators had made contact with overseas buyers who showed great interest in the products displayed; several had received firm export orders, ranging from herbs to chess sets and Maori carvings.

"From discussions with exhibitors the sponsors' decision to promote and manage a New Zealand court at the world trade fair was amply justified", Gaskell said.

Auckland show: a purist solution

by Rae Mazengarh

TRADE fairs are a serious business. Exhibitors are there to trade and many of them don't want to be bugged by the public at large.

But some nations, especially those within the Asean group, prefer to promote their products to the consumer and sell direct to the public.

To suit the requirements of everyone, the 1981 Fair in Auckland will be divided into two components.

The first, the New Zealand International Trade Fair (from July 29 to August 5 1981) will be open to trade guests only, with the exception of one public day.

The New Zealand International Sales Fair (beginning at the end of August 1981), will open to the public for nine days and be geared to the needs of those nations wishing to promote direct to the public — a type of consumer fair.

It will also provide exhibiting nations with the opportunity to present cultural or travel-oriented entertainment in the 3000-seat auditorium at the showgrounds as additional promotional vehicles.

The new format — at first sight a sharp swing away from past trade fairs — is just a further stage in the development of fairs in this country.

According to a brochure already produced by the organising committee for the Auckland event, "experience gained during the three international trade fairs staged in Auckland since 1969, plus continuing consultation with the representatives of exhibiting nations, has determined the format of the 1981 trade fair".

The exhibition will be a short one — just seven days — with entry available only to properly accredited trade buyers.

This development is likely to be welcomed by exhibitors who have pressured in the past for shorter events and fewer public days.

In 1977, Auckland's International Trade Fair bowed to pressure from exhibitors to specialise. But plans to restrict admission to trade people went awry and exhibitors were given thousands of free tickets.

These, they gave away with gay abandon. Result — the supposedly trade-only fair was flooded with wives and children.

Potential exhibitors hope the next fair will be heavily trade oriented.

The trade services director of Trade and Industry, Ashton Cook, plumps for the trade-only type fair in New Zealand's programming of fairs overseas.

He pointed to the recent fair at Papua-New Guinea, which was essentially directed at trade.

But he declined to comment on the New Zealand fairs, except to say his department welcomed the willingness of the Auckland organising committee to provide something for everyone.

Trade and Industry feared a trade-only show would shut out the Asean nations, many of whom needed the alternative to promote their particular goods, which are often consumer oriented.

So far most potential exhibitors are unaware of the Auckland move, but when NBR asked several embassy officials to comment on the 1981 fair, they showed enthusiasm.

Exhibitors may pressure the Wellington fair committee to follow Auckland's lead.

Wellington show promoter Dick Dundas said that if the Auckland move proved successful and the exhibitors showed this was what they wanted, Wellington would be willing to make changes.

"We'll cut our cloth accordingly," Dundas said.

Douglas tackles "poverty trap"

by Colin James

WHILE the Government and the Federation of Lsbour maintain their standoff on the "minimum standard of living", a contribution to the debate has come from a Labour MP.

Identifying what he calls the "poverty trap" affecting lower-income families, Roger Douglas has proposed a "guaranteed minimum income" system involving a minimum wage, tax adjustments and social aecurity support.

Principally, he wanta:

- A minimum wage (of $100 this year) agreed between employers, unlona and the Government;
- A family lax rebate and highar family benefits;
- A simpler social securily benefit structure;
- A drastically simplified two-step income lax system, tied to the minimum wage, with reduced rates and a personal rebate — coupled with an unspecifiad new revenue source.

His paper is billed as "one of a series of discussion papers approved for distribution by the education committee" of the Labour Party, an indication of the increaaingly active role the organisational wing of the party is playing under its new president, Jim Anderton.

Douglas argues that there are thousands of families whose income is so small that they can pay only for basic essentiala and have no hope ol "saving enough to buy their own home or of having a surplus to invest in a profit-making enterprise".

Others "find they have little money for anything else after mortgage payments have been made.

"They have no prospect of a significant improvement in their situation. They are in what has become known as the poverty trap."

Douglas says that one reason for the outflow of akilled workers is high taxes and he points up injustices in the social welfare aystem, which keeps dependent beneficiaries on subsistence incomes while paying national auperannuation to people who do not need it.

Ha starta with a "legal minimum waga" designed to provida a basic standard of living for a single person.

"It should be the aubject of annual negotiations between the trade unions, employers and the Government," he says. His estimate of what it should be at the moment: $100.

"Tha aecond step is to ensure that families have an adequate standard of living," Douglas says.

"We need a system of family taxation which is both more generous and more easily understood than the present young family and single income rebates."

He suggests a tax rebate equal to one-quarter of the minimum wage. So at his suggested $100 minimum, it would mean $25 a week to aingle-income families with *young* children.

In double-income families, the rebate would be reduced by $1 for every $4 earned by the second income-earner, thus allowing some rebate up to the minimum wage lavel for the second income-earnar.

Douglaa auggests raising the preaent age limit for the young family rebate for single-income familiea from fiva to seven.

For families with oldar children, he proposes the child benefit should be sel at 10 per cent of the minimum wage. At his auggested $100 minimum wage, the benefit would be $10.

"The third step involves changes for peopla outside tha work force. I propose to bring the present hotchpotch of social security benefits within the tax and minimum income system," Douglas aays.

Benefits would be paid "aa of right" only to those unabla to work full time or those over 60. This would include those now eligible for elthar unemployment or sickness benefit, single parent families with children under seven and widows for a period after thair husband'a death.

"Thia will involve aome major changea to the eligibility for social welfare beneflta and therafora a programme that can only be phaaed in gradually."

For single people the banefit would be 60 per cant of the minimum wage and for married people it would be 50 per cent each — all tax-free. Douglas saya that at a minimum wage level of $100 theso rates would be roughly equal to tha presant national auperannuation aftar-tax rata and well above the present income-tested banefit ratea.

Beneficiaries with children would get the 25 per cent family tax rebate and tha higher family benefit.

"Any extra earned by the beneficiaries would be taxed and would result in their benefit being reduced by $1 for evsry $4 they earned," he says. "That would mean that many people who currently receive national auperannuation and in sddition havs substantial incomes would find that their benefits reduced until they disappeared."

Douglas's final atep is reform of the personal income tax scales.

He would restore the personal tax rebate, setting it at $15 a week for the $100 minimum wage-earner, thus effectively meaning no tax on the first $50 of earned income.

He proposea a two-step income tax rale, indexed to the minimum wage.

All income up to two snd s-half times the minimum wage would be taxed at 30 cents in the dollar, thus lowering income tax paid by low and moderate income earners.

All income abova that level would be taxed at 45 cents. (The present maximum is 60 cents.)

Douglas justifies the lower top tsx rale on three grounds:

- Higher rates are o disincentive to effort;
- They encourage avoidance;
- If coupled with a tougher attitude to fringe benefits, there need by no loss of revenue from tax rates on high incomes, a proposition he says he will develop in a lster paper.

Douglas acknowledges that his scheme would cost money, meaning that the Government would have to find some new revenue source.

"I believe that will have to be in indirect taxes," he says, promising more papers on possibilities for revenue raising snd reducing Government spending.

Indirect taxes have been anathema to the Labour Party, which has believed that they hurt the less-well-off.

Douglas has argued, however, that this is no longer the case. It will be interesting to see if he can convert the party.

Vendors attempt to squelch milk carton marketing scheme

by Warren Berryman

WHAT's wrong with milk in cartons? Just about everything, according to the National Union of Milk Vendors.

The vendors claim that cartoned milk is contrary to the consumer's wishes and interests. They maintain it will lead to a breakdown in home delivery and a cut in milk sales.

After public demonstrations with queues of milk trucks parading the streets warning the consumers, the vendors have added their submission to the wealth of material being studied by the Government Caucus Committee.

The milk vendors' submissions reach the following conclusions:

- That the public want the viability of the home delivery service to be maintoined.
- Home delivery can be retained at reasonable cost during the 1980s provided new formulas and concepta are developed.
- The introduction of cartoned milk would lead to a rapid collapse in the home delivery system in many areas, this in turn leading to a decline in sales and a cost spiral.
- "The Milk Board should be required to promote consultation, consideration and harmony in the industry. If it feels this task is beyond it then it should be disbanded."

The milk vendors based their submission on two sorts of evidence.

First, to gauge public attitude, the milk vendors circulated a questionnaire to householders. The form of the questionnaire and the questions were loaded to such a degree that the response could be said to be a foregone conclusion — pro-bottle and anti-carton.

Secondly the milk vendors relied on a carefully selected scissors and paste selection of overseas magazine and newspaper articles damning milk cartons.

These orticles make the point that the advent of cartoned milk has led to a fall in milk consumption.

But, heing selected studies of selected countries, they foil to go beyond the particular to the general to establish a causal link between cartons and consumption.

In fsct for each case the milk vendors put up, a counter case in snother country with opposite results could be found.

For example Finland sells 99.4 per cent of its milk in disposable containers and has an annual milk consumption of 233.5 kilos per capita. New Zealand with 98.3 per cent of its milk in returnable bottles has an annual per capita consumption of only 137.9 kilos.

Behind the milk vendors' arguments was o firm conviction that cartoned milk would be sold in supermarkets and dairies at a greater cost to the consumer.

As they did not consider the possibility of delivering this milk themselves — without the problem of having to pick up and handle empties — they saw carton sales from shops as a threat to their jobs.

UEB Industries' submissions in favour of Pure Pak cartona make the point that delivery sovings could be made as cartons weigh far less than bottles (60 per cent of the total weight of a bottle of milk is the glass); cartons mean no returns; less handling; no washing; and becsuse they are square in shape, more milk in a given spsce on the milk truck.

AHI Hygrade Packoging's submissions in favour of cartons make the point that the added 5 cents in price for cartoned milk will be met by consumer resistance thus guaranteeing the markat for home delivered milk in cartons.

Like UEB, Hygrade argued that cartoned milk would take a market share from soft drinks rather than from home delivered milk.

The milk vendors, perhaps unwittingly, contradicted their own case with the results from their householder's survey. Of the respondents 98.6 per cent said they would still require a home delivery service if milk was readily available in supermarkets.

This could be tsken to support Hygrade's argument that cartoned milk would not affect home deliveries.

And this was not the point that the milk vendors wanted to prove.

The vendors' survey carried on the front page the words: "Is this the future of household milk delivery: 1940 — household delivery carried out by roundsmen with horse and csrt. 1960 — household delivery carried out by roundsmen with trucks. 1980 — household delivery declines — supermarkets handling all milk products. 1990 — no household delivery — supermarkets selling all milk lines in cartons."

Below is a copy of the milk vendors' questionnaire together with the response analysed from 1700 out of 21,000 respondents.

The vendors' submission acknowledged that the questionnoire could be criticised, but said: "Any bias that remains will we hope be excused as entirely unintentional."

Question number 9 with its built in bias and question mark replaced by an exclamation mark would make most market researchers shudder.

Question number 13 would, on the face of it, seem a public mandate for granting the milk vendors a total monopoly on all milk soles if one could assume the public knew exactly what the question entsiled — which is doubtful judging from the percentsge of respondents skipping this queation.

The milk vendors dismissed Big M's cartoned milk marketing success in Australia pointing out that household delivery was already breaking down in Victoria before Big M boosted milk sales.

The vendors said New Zealand's falling milk soles were not the fault of the vending system but due to such factors as declining birth rates and a revival of breast feeding and falling population.

Rather than jeopardise the home delivery system with the introduction of cartons the milk vendors suggested that New Zealand upgrade the present bottling plants, possibly with the introduction of a micro-processor based bottling system.

The vendors did not give details on how this might be done or the costs involved.

What the milk vendors lacked in hard research they made up for in enthusiastically putting the milk man in tha national pantheon alongaide mum and apple pie.

Milk vendors, they said, could be encouraged to use CNG and LPG thus putting them aboard the popular energy conservation bandwagon.

"The present vending system is a good training ground for small businessmen and has been a useful base for owner-operated entrepreneurs aiming for self-employment," the submission said.

The aubmission aald, thia arises from three factors.

- "Deliveries are generally outside ordinary business houra and administration support may be undertaken by the rest of the vendor's family, spreading the work load.
- "The nature of the job and its hours curtail a great deal of spending which might normally occur on travel and entertainment. The average vendor doesn't make money but saves it.
- "The discipline of daily contact, having to satisfy a broad range of consumers and being subject to immediate complaint is formative, and has a good side, especially the development of community contact," it said.

And what does thia training ground for thrifty, hard working, private entrepreneurs cost the community? Only 26.68 per cent of the price of a bottle of milk went into vending, according to the submission.

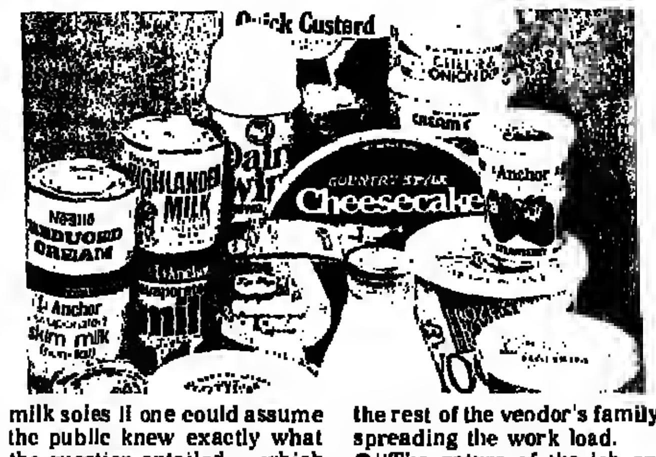
And as to consumers' choice, the submission said: "It is still the consumers' choice as to whether it (milk delivered by vendors in bottles) will be used for cooking, milkshakes or added to tea and coffee and we submit that this service should be supported."

What with all the advantages of the present home delivery system put forward by the vendora, coupled with the consumers' desire to maintain it, one might wonder why the milk vendors don't just sit back and wait for the carton schemes put up by Hygrade, UEB and the Dairy Board to go bust.

The vendors did not explain why Government should not save itself time and expense and let market forces, and consumer choice, hold sway.

Instead, the vendora aeemed to be asking Government to preclude consumera' choice by banning cartons and granting them a monopoly on all milk aales — a strange necessity for a system that was ao obviously desirable.

WINDOW ON RETAILING



QUESTIONNAIRE

% Informal or Skipped	Question	% Distribution of replies: YES	NO
-	1. Do you wish the present home delivery service by Milk Vendors to continue?	99.8	0.2
3	2. Do you think milk should be available in supermarkets?	33.0	69.0
1	3. If milk was readily available in supermarkets would you still require a home delivery service?	98.6	1.4
-	4. If the introduction of milk in supermarkets could result in the breakdown of the present home delivery service, which service would you prefer— *Please tick (a) or (b)*		
	a) A home delivery service	99.3	
	b) Availability of Milk in Supermarkets	0.6	
3	5. Would you be satisfied with a six day home milk delivery service, if the vendor requests it, or the economic circumstances require it?	95.1	4.9
3	6. Do you oppose any change to the present seven day service?	18.6	81.4
-	7. If rising costs eventually make six or seven day milk delivery uneconomical, would you continue to purchase milk from your Vendor if he only delivered milk on four days of the week?	93.1	6.9
-	8. Are you satisfied with milk packaged in glass bottles?	96.0	4.0
2	9. Do you want milk packaged in cardboard cartons and plastic sachets - at greater cost to consumer!	4.4	95.6
7	10. Would you pay a minimal extra charge for Vendors to deliver skim milk?	32.8	67.3
4	11. If Vendors carried additional unsubsidised milk lines, i.e. Flavoured Milk, Yoghurt, etc. Would you please tick one of the following—		
	I would never purchase these products	29.7	
	I would purchase these products occasionally	60.8	
	I would purchase them often	9.5	
8	12. If Vendors got the NZ Dairy Board contract to deliver U.H.T. Flavoured milk (which has a shelf life of six months), would you like this product delivered to your gate?	37.7	62.3
9	13. Do you support Milk Vendors in their efforts to attain the distribution rights of all milk products, thus ensuring the continuing viability of the Home Delivered Service.	91.1	4.9

Farm workers spell it out

I WISH to correct some erroneous statements in (NBR July 4, 1979) headed "Fermers resist union mustering of farm hands".

First I auppose I should point out that my name is spelt Withell and not Whistle.

Federated Farmers did not help give birth to the New Zealand Farm Workers' Aasociation. It would be true to say many Federated Farmers members wented to officially support the association but because of the dangers of political implicationa, auch es the association being accused of being an employers' body, they held back. Even though we, the farm workers, would have welcomed a more decisive support role by the employers for the association.

The fact that many farmera feel that the association is growing into a trade union, without any interest other than pushing for high wages(?(, lies squarely al the door of some Federated Farmers who by speech or implication are attempting to hold the association down.

This is indeed foolish and in the worda of John Kennedy in his candid comment column in the Southerner: "If the Farm Workers' Association should fall, then eventually farmers will pay a high price for their stubbornness and foolishness."

I am of the opinion that the refusal by both Federated Farmers and employer unions to recognise the membership clause is in direct contrast to the support the clause is having amongst the more realistic farmera.

Regardless of smoke screena tha clause la not compulsory end in fact, by allowing workers to opt, givea a democratic decision to the worker and not to the association.

The reports I have received from the association'a branches show that support is heavily in favour of the clause and many farmers are actually asking why we don't go compulsory.

To again use John Kennedy'a words: "The aasociation has done its level best to maintain good relations with employers." The penalty we are paying is that opparently New Zealand Worker's Union and PSA are peddling their brond of fiction that we are farmers' stooges.

Unless Federated Farmera and the employer unions wake up to the cry from the majority of farm workera and farmers that the clause ia needed they may well find a change in the thinking of the liberal and conservative leadership and could in fact find that if the association was to continue despite the efforta to stunt lla growth then o grndual takeover by militancy could well occur.

Rather than baing prepared to listen to gosaip mongers farmers would do the industry good if they bacame involved in the employer unions and attended conciliations and tribunals. The associotion would welcome this involvement.

The article refers at the end to "it is not a bad thing to have some threat to urge them on". If this was the meaning taken from a telephona conversation I feel that you are in error.

I attempted to stress that while the association has had to struggle, this in turn has in fact given a solid foundation, and that it does not do any organiaation a aerap of guod to be able to sit back and watch the feea roll in.

However, il la not a good thing for the majority to sit back with no commitment but yet be willing to take.

I always thought that the philosophy "down on the farm" was give and take. So far it has been the association and its stalwarts giving and the others taking. The clause is intended to correct this, without overbalancing into the area of sitting back and doing nothing. Farm workers and farmers must make up their minds what they want.

You state that a merger with the union is a possibility and that the executive of both union and association are considering the step.

As to what the members would do if the membership clause was lost I do not know, but it is likely that our long service members would be disgusted enough to say to heck with it and not rejoin. Who could blame them with the lack of support from the employer's representatives.

We have a good organisation, one which has done a lot for farm workers and farming. This goes well beyond the boundaries of just wages and conditions (which were in a bad state) and being just o trode union.

We have a membership that stood behind the association since 1974. Besides their $10 membership fees they have spent considerable finance to safeguard not only their rights but the rights and welfare of oll farm workers.

Where then is the sense of "fair play ond justice"? Can you blame them for being fed up with the apathetic farm worker and the deliberate blocking and stalling by some employers in Federated Farmers and Employer Uniona?

We do get moral support from aome branches of Federated Farmers and it is a shame that we are held back by some diehards. We find their attitude grossly unpalatable.

We hove, in foct, considerable common ground and interests with farmers and Federated Farmers and I would hope that those who should know better will not destroy the will of maintaining good industrial relationship by their malicious discontent.

We have to hear much interference from outside farming but stupidity from our own employers' organisations should not be tolerated by employers or employees.

Both the association and Federated Furmera and employer unions have a golden opportunity to demonstrate and set the pace for new industrial relations.

I feel sure that this has in part been achieved and I ask that we (the farming community) do not let the irresponsible actions of a few, whether from farm workers or farmers, destroy these beginnings.

There is limit to the period the association can be used as whipping boy.

The clause is not compulsory. It is optionnl. Federated Formers head office seem hell bent on giving the impression that it is compulsory and that the ossociation is only a trade union.

No system that gives tha opportunity to opt out can be compulsory no matter how biased against union some can be nor is it illegal within the Agriculture Workers Act, nor ia it against the New Zealand Farm Workers' Association.

In the words of Mr Nelson Grylls, e leading United States industrial lawyer: "Hera'a to NZFWA. New Zealand needs you. God knowa it. Lela hope farm workers raalisa it". Wa ahould add lets hope farmers know it.

Apparently the amployar uniona refuse to recognisa lbe importance and necessity of a viable ossociation and in the light of thair actions and aubmiaaions to a recent Agriculture Tribunal the quastion foremost in tha thoughts of our members are: "Are tha employer unions preparing to aail tha farm workars and tha farm workara' own New Zealand Form Workers' Association down the road to the New Zealand Workers Union"?

Wally Withell
National Secretary
NZ Farm Workers' Association

LETTERS

Forests are renewable

IN YOUR editorial NBR August 22, Mr Edlin quotes from stolements made by a number of representatives of industries using indigenous timber. He then concludes that consumption and conservation are incompatible and further use of indigenous timber will result in our native forests being further exploited if not destroyed.

Forests are a renewable resource, a point noted by the Commission for the Future ond covered in an article on page 7 of the same issue as Mr Edlin'a editorial. Indigenous forests certainly are more difficult to restock and growth rates are much slower than exotics, particularly radiata pine. However they are renewable and with good monagement are capable of producing a continuing supply of high quality timber. This is the basis of the Forest Service manogement proposals for Whirinaki Forest. Of the forest area of 60,900 hectares 13,590 hectares is set aside for production and 12,250 hectares is included in various types of reserves. The greater part of the remainder is accounted for by highland protection forest. The reserves include more than 50 per cent of the remaining high value podocarp stands.

It is probably worth saying also that conservation, according to Webster's Third New International Dictionary, can mean the wise utilisation of a natural resource. This certainly accords with a forester's meaning of the word.

G M O'Neill
Director-General of Forests

Salt loses appeal battle

CONGRATULATIONS on your recent article on fluoridation (NBR August 15, 1979).

May I be permitted to point out one omission concerning the Pennsylvanian court case last year which ruled against fluoride. The findings of the lower court were, as your writer correctly stated, that fluoridated water is carcinogenic, (that is, cancer forming).

The ruling was appealed against by those supporting fluoridation. The appeal was successful on the basis of a legal technicality only and the evidence and findings were not questioned. This case was appealed against and that was the point omitted by your writer.

The case reached its third and highest level before the Supreme Court of the Commonwealth of Pennsylvania. The Supreme Court ruling sustained the original lower court ruling. The final outcome of the case was therefore against fluoride.

The complete transcript of this most interesting case can be found in the "vertical file" at the Dunedin Public Library: Aitkenhead v Borough of West View, in the Court of Common Pleas of Allegheny County, Pennsylvania (USA) Civil Division.

It took six years after it was first reported that the thalidomide baby was born before it was finally banned. Let's not be slow with fluoride.

Bruce ...

Mayor points out danger

I WAS interested to read on Poge 21 of NBR August 15 two articles on fluoridotion by Belinda Gillespie.

As my nome is frequently mentioned in these two articles, I feel it necessary to make a few comments.

As mayor of one of this country's largest cities, and with a strong feeling of responsibility for the welfare of its 152,000 citizens, I feel it my duty to point out the dangers of this questionable practice.

I note that your reporter has consulted with and quotes some of the prominent promoters of fluoridation, but so far neither she nor any other reporter from your newspaper has consulted me on this matter. Yet it is acknowledged that as a result of my 27 years study of all the long term implications of fluoridotion I om os well qualified as anyone else in New Zealand to speak on the subject.

May I request that when you have published Belinda Gillespie's second series of articles on fluoridation, you will grant me the courtesy of equal space to state the moral, medical ond scientific cose against fluoridation?

May I point out thot I (and others) were disoppointed to note some apparent bias in Belindo's article. You know it was hardly fair to use a photograph of myself in bed which, to say the least could subtly imply that I am a sick old man — which I certoinly am not!

A lot con be dismissed os thoughtlessness or even discourtesy, but nothing could justify Belinda quoting a deliberately untrue statement by the pro-fluoridators ". . . the ruling was later overturned in a higher court".

The fact is that the judge's finding — that the plaintiffs had proved a 5 per cent increase in deaths from concer since the 10 cities had started fluoridating their public water supplies — still stands.

However, this letter is written because I believe that the responsible editor of an influential newspaper would be anxious to ensure that his paper presented fair and impartial statements of both sides of this controversy which affects so many people in the fluoridated areos of this country.

It is this belief thot I ask thot you agree to allow me equal space and opportunity to give the other side of the story.

Sir Dove-Myer Robinson
Mayor
Auckland

OUR articles ottempted to look at the politics of fluoridation ond the lobbying techniques of the "pro" and "anti" fluoridation groups; not to document the "moral, medical and scientific case" either for or against fluoridotion.

The "prominent promoters" of fluoridation were quoted only in respect of the lobbying the activities of their particular organisations in rallying support for their views.

Sir Dove-Myer Robinson was not consulted because his views and activities on the issue hove been well documented.

Jeffrey Annan, chairman of the New Zealand Dental Association, has corroborated his statement that the Pennsylvania ruling against fluoridation was later overturned in o higher court.

The photograph used was in no way intended to reflect on Sir Dove-Myer's state of health. — Editor.

BPA motives draw query

AS A former member of a small trade association, I was interested in the report (NBR July 25) of the moves being taken in the Business Press Association to "clean up the business press image." Is the whole operation as innocent and laudable as it purports to be?

Shortland Educationol Publications, the company of which the Business Presa Association chairman is managing editor, is of course a subsidiary of NZ News. The associotion vice president is publisher of IPC Business Press.

Could this be a move by two publishing giants to make "the going" too tough for small operators? It is worth pointing out, too, that in the absence of ony news media ownership legislation there is no obstacle to the mammoth overseas-owned IPC orgonisation gaining control of much of the New Zealand publishing industry — porticularly if it has such an influential "friend in court" as NZ News.

R S Saunders
Palmerston North

Milk vendors defend bottle

YOUR articles and comment on the carton controversy call for more freedom in packaging for the local milk products. Certain industry sources also are lobbying for change.

We believe the major issue is whether the town milk system should be considered a service industry or whether milk will become just another commodity.

The present stote of the service is not healthy, but could be revitalised, given a general undertoking to restructure the vending system to keep it viable.

What is envisaged by some parties is a complete break with the traditional service aspects of the industry to provide a "promotable" product. The reaction of the industry has been equivocal, claiming that by relying on good intentions it is possible to have both.

Our experience at the shorp end of the distribution system has convinced us that New Zealand vending would collapse without effective reorganisotion, should cartoned milk be generally available.

Some pertinent points we wish to make are:

- Cartons and plastic containers do allow deterioration of milk under illumination in shops.
- The New Zealand vending system costs only 27 per cent of the gross delivered value of milk.
- Pressure on the system is oggravoted by hod margin systems providing gross income variances of up to $20,000 between milk vendors.
- New Zealand vendors deliver to twice as mony households as the British vendors, who carry extra products fairly readily.
- New Zealand milk consumption is now near optimal for health value and sales drops in recent years have not been disostrous: in years ended 31 August 1976 — 1.95 per cent, 1977 — 3.6 per cent, 1978 — 1.02 per cent. Population changes and reductions in wastage could account for most of that.

The $8.2 million cost on the subsidy in year ended August 1978 for town milk not required could have embarrassed the Government into a precipitate embrace of the "Fun Milk" concept.

Our objective is to obtain for our members as many as possible of the rights and benefits which would be provided to them if they were employed under an award. However, we realise that we will achieve nothing without the continued support of milk consumers and to this end will do all we can to provide such improved services as the viability of the rounds allow.

The competition between packaged milk and bottled milk would develop into a competition between supermarket and home delivery or local dairy supply. In many areas there would be an almost instant collapse of home delivery and dairy sales. Over the country as a whole, we would inexorably follow the trends in Europe, with a rapidly increasing shore of sales in packages, with diminishing overall soles of milk products.

J G Duncan
Research Officer,
National Union of
Milk Vendors.

Publisher backs audits

I read with interest your article "Chief pushes for cleanup" (NBR July 25, 1979.)

In it you state only seven publications published by four members of the Businesa Press Association are audited. You appear to have miscalculated. Management, published by Modern Productions Ltd, a foundation member of the Business Press Association, has had an ABC audit since January 1974 and this company hos always been strongly in favour of audits.

I would appreciate rectification.

S C Niblock
Managing Director
Modern Productions Ltd

Electronic gadgets edge out security patrols

by Mary Varnham

Every year a growing number of companies in New Zealand pay out thousands of dollars a year for a service they almost never see — mobile security patrols.

The patrols take place at night. They come in a variety of forms. Some cars are marked, others unmarked. Some guards wear uniforms, others ordinary street clothes.

..Surveillance may be as thorough as a complete inspection of every office, stairwell and corridor, or as cursory as shining a torch on outside doors and windows. It may take place every two hours, four hours, once a night.

The client gets, quite simply, what he pays for. Arrangements are made, and a price agreed on, beforehand.

NIGHT ONE. It's five-thirty, cold and starting to get dark when I arrive at the security company's office. The boss, a tall, suave, grey-haired man, greets me on his way out.

At an interview earlier in the day, he told me he started out in the security business with a 1955 Vauxhall and an alsatian dog. The gamble paid off. Fifteen years later, his company has more than 250 employees and is the third biggest in the industry.

He's an avid National supporter and once stood for the party in the general elections.

"Muldoon and I don't talk to each other through the newspapers," he says, with some satisfaction. "We write letters."

He's not too happy, though, with the Government hiring its own security guards for Parliament House. It's no secret, he says, that they're paying 20 to 30 per cent more than guards get in the private sector. This is bound to lead to increased wage demands for companies like his.

"Essentially," he insists, "the Government should get out of the business."

Under the award, the starting salary for mobile guards is \$128.44. After a six month probationary period, this rises to \$131.73. Static guards, who are stationed in one building for the night, earn a little less — \$125.15, rising to \$128.44.

Under the Private Investigators and Security Guards Act 1974, all guards must be checked out by the police and okayed by the Registrar in Auckland before they are hired. The criteria laid down in the Act: guards must be over 20 and have not been convicted of a crime involving dishonesty, or served a prison sentence, in the preceding 10 years. The failure rate is apparently small.

A little after six, John, the patrolman I'm accompanying, and I set off downtown through the tail-end of the commuter traffic. I ask him how he got into the business.

"I was a fencing contractor," he explains. "Got sick of it and was looking around for something else to do. I had a mate who'd gone into security. It sounded interesting enough so I went for an interview."

Two days later he was hired. There's a large turnover in the business and jobs are relatively easy to find.

One of our jobs tonight is to deliver pay cheques to the company's static guards. They are, I discover, a mixed crew. While some are, as you would expect, ex-prison officers, servicemen and policemen, many are just regular people who've come into the business cold. A surprising number are moonlighters, among them a secondary school maths teacher, a jeweller and a law student.

First stop, the operations centre. It is, in best undercover tradition, a nondescript building near the waterfront. All calls to and from patrolcars go through here.

The guards have no direct contact with the clients whose premises they watch over. Cries for help, messages to clients and the police, banter to pass the time — all are siphoned through a surprisingly amicable (given the time of night and solitariness of the occupation) switchboard operator.

It's well-known that in the early stages of private security operations, relations with the police were tempered with mutual distrust. Now, however, there appears to be a conscious effort at co-operation on both sides.

According to John, patrolmen frequently spot crimes in action and report them to the police. He describes an incident in which he was involved a few months earlier. While driving through midtown late at night he spied a couple of men stealing a car.

He radioed headquarters and took up the chase, calling in his position as he went.

The chase led him through Wellington, along the motorway and into Tawa. It ended on a deserted back road where the thieves panicked, ditched the car and jumped into a thicket of blackberry bushes — just as the police, following his directions, arrived on the scene.

There were no such thrills either of the nights I was out, but there's always an undercurrent of tension, expectation, in the work.

Mobile guards develop a well-honed "security sense". A shadow, a noise, even a different smell, can alert them to the presence of an intruder. Dark, empty factories, warehouses and office buildings are no place for the nervous.

While John claims most of the work doesn't worry him, he confesses to a bit of edginess in "bad areas". In one such area, a back street in Petone, he finds a window open in the dangerous goods store of a factory. He scouts around, finds no one and radios in to HQ. Half an hour later the factory manager arrives and secures the window. There is no mistaking the vulnerability of a building like this. There is not a soul around and the odds of a thief or vandal escaping undetected seem considerable.

What would John do if he caught a criminal in the act?

It's hard to say. Despite advertised claims by security companies, few patrolmen use dogs. According to the next night's patrolman, who does, there are at most four trained guard dogs in the whole of Wellington.

Nor are the guards allowed to carry arms. Their only weapons against an intruder appear to be a strong torch, the ability to radio for help — and, presumably, physical force, although there are no Charles Atlas criteria for hiring.

Night Two. Bernie not only has a large alsatian dog, he also, unlike John, has a van with the company's name emblazoned on top, plus a uniform and hat. He's a Scot with lots of good Glaswegian morality — and very firm ideas about security.

"I'm more security conscious than the company," he tells me proudly.

Seeing the danger of any system being cracked, he is constantly varying the routines handed out to him by the controller. Companies do not use the names of buildings in their radio calls, referring to them only by code number.

Bernie takes down the list of numbers given him by the operator and then announces he's going to switch around a bit, "just in case anyone has worked out the code"

Soon after Bernie started work, he took the unusual step of phoning the managers of firms he was patrolling.

He also has a quasi-personal relationship with the staff, even though most never see him.

He's meticulous about leaving messages to people who leave lights on or heaters burning. Sometimes, too, he solicits donations for his favourite charity, guide dogs for the blind.

His interest in the activities of the companies approaches the paternal. As we trip around he tells me how ice-cream is mixed, berets made, plastic extruded.

In the three months he's worked there, he's picked up quite a bit of information.

"Fridays are always the worst," he says of his job. "The lads are in a hurry to get to the pubs. Lights, heaters, machines left on all over the place."

Savings in electricity are one of the few tangible benefits of night security. The rest, deterrence of theft, vandalism, arson, are, like all preventive measures, less easy to judge. Clearly night patrols will deter crime to a certain extent.

They cannot, however, prevent it since surveillance is not constant. The clever criminal is bound to beat the system sooner or later. Few, though, will take the trouble — and this is what security companies, and their clients, rely on.

For obvious reasons, security firms remain tight-lipped about break-ins that have taken place despite their efforts.

Manned patrols, although they have played a large part in the security picture in the past are, for all this a doomed species. Within 10 years, estimates one security expert, they will have been replaced almost entirely by electronic alarms and fire protection devices, card access systems and a raft of other technogadgetry.

While electronic security hasn't yet taken off here the way it has in America and Europe — only two large electrical companies, Philips and Harding Signals are presently in the market and both are relatively new entrants — it's fast making ground

One example: National Mutual in Auckland has installed a computerised caretaker to guard its 21-storey headquarters and five other buildings, a total of 80,000 metres of floor space. The system monitors an astonishing 500 functions, including locking of doors and lifts, lighting, heating, names and times of entry of personnel.

The time the system takes to respond? — less than five seconds.

And other companies are leaping aboard, among them National Bank which has recently put a \$100,000 microprocessor monitoring system in its Christchurch headquarters.

Against odds like this, John and Bernie don't look like standing a chance in the long term. In the short term, companies looking for night protection could do a lot worse.

The gold facts — or how to beat inflation by becoming a bullionaire

by Warren Berryman

PREPARE thyself for the caming economic diaaster when Government-led vate-buying hyper-inflation renders unbscked flat funny money unacceptoble as a medium of exchange.

How?

By investing at least one third of one's assets in gold.

Invest in gold even before the doomsday scenario of the 1980s unfalds. Not to make money. But just to msintain purchasing power agsinst Gavernment's two-faced progeny; inflation and the fiscal fiend.

This was the message braught to Auckland by Brendon Scorer, 25-year-old millionaire, stock, share and futures broker, and director of the Sydney-based World Bullion Company.

Scorer predicts an economic collapse in the next decade due to a collapse in the world monetary aystem.

Most currencies are backed by nbsalutely nothing of hard value and velued by little more than government fiat, Scorer pointed out.

To pay for their vote-catching schemes, wasteful governments churn out more paper money which pays paat debts with debased currency, but adda no new wealth, and thus, deheses all currency already in existence.

Scorer said he can see the time coming in the next decade when this sort of currency debasement — or inflation — would reach a point where sellers would not accept paper money not knowing whet it would be worth tomorrow. (Shades of post World War I Germany, where workars would rush from paymaater to shop with bundlea of paper maney in hopea that they could buy before the new influx of money pushed prices higher — ell of which resulted in widespread bartering, curtailing the use of paper money.)

This infletion-led collepse would lead, Scorer predicted, to a return ta the gald stendard and a brighter economic future following the apocalypse.

Scorer ecknowledged that about 95 per cent of people dismlased his doomsday prophesy ae ridiculous.

But he esked: "Why are people so ready to believe prime ministers, presidents, and other government ministers, that everything is okay and that the economy will atart to improve, when those same government officials tax the populous heavily, run maaaive deficits and still accomplish nothing positive?"

"If government tries to take away people's right to hold gold the public should resist, just as they should resiat other government restrictions on what a men can do with the rightfully earned fruits of his labours such as exchange controls," Scorer said.

Economic theory aside, Scorer's business la buying and selling gold. He is offering New Zealanders the South African minted Krugerrand.

This coin has little numismatic value, being first minted in 1967 and legal tender in its country of origin.

The company also offers Australisn gold aovereigns for sale at $160 each. Being relatively rere, Scorer said, the sovereigns hed a numismatic value apart from their 7.32 gram gold content.

The Krugerrand, about the size of a New Zealand 20c piece, contoins one troy ounce of pure gold (31.1 grame). It was expressly minted for gold traders.

Scorer said he did not want to go into direct competition with local gold sellers. But his prices appear competitive.

The other day he priced a Krugerrand at $370. One Auckland competitor, Morton Williems Ltd was offering Krugerrands at $386 the seme day. And Auckland bullion merchants Matthey Gerrett were offering Krugerrands at $396 the following day.

Matthey Garrett is one of three bullion merchants with an import licence to bring in bullion for supply to the jewellery trede and private huyers. Its margin for the Krugerrand waa: buy $396; buy beck the same day $324.

Scorer said he would buy beck gold the same dey for the selling price less 9 per cent. In Australia this figure was 9½ per cent, he said.

The dealer's margin, plus the short-term fluctuationa in the market make short-term trading in gold unattractive.

Scorer advised his clients to invest in gold for a period of not less than six months and preferably at leaat a year.

The World Bullion Company extended ita operations to Auckland nine months ago, operating through the offices of chartered accountanta Chambers Fawcett and Co.

In this time, Scorer said he had sold between $40,000 and $50,000 worth of gold through mail order.

Scorer hopes to increase these sales of Krugerrand and gold sovereigns.

Scorer had not been able to offer gold bullion in bars as importation is under import licence with only three companies holding licences on a continuous basis. But coins nre free of this restriction.

Scorer said he plans to deal in bullion in internationelly accepted gold hars.

The Australian Government first ollowed its citizens to buy and hold gold bullion in 1976.

Scorer has heen in business since he was 21. He now estimates his personal wealth at between $1.6 and $1.8 million — one third of this in gold. His physical sales of gold (not including futures) have increased 20-fold in the past 5 yenrs he said.

But to return to the prime question; why should nnyone want to huy and huld gold?

Guld earns no interest in a safety deposit hox. In fact, Scorer snid the safety deposit box cost $3.50 a year in Australin.

Gold is expensive to ship and insure. Scorer displayed $37,000 wurth of Krugerrands at a press conference in Auckland last week. The insurance bill for that one day came to $400.

So why invest in a commodity that earns no interest, is expensive to insure and transfer from place to place, as well as being heavy and likely to wear holes in trousers pockets?

Becouse, Scorer points out, gold has risen in price by more than 600 per cent since 1970 — and is likely to continue rising as government vote-catching odventurers debase paper currencies in relation to gold.

Australian gold sovereigns have gone up in price 70 per cent since this January, Scorer sold. Krugerrand and bullion have gone up between 55 and [illegible] per cent over the same period.

"Gold," said Scorer, "is a thermometer of the world's currencies. The more it [illegible] tells you how much longer particular currency is [illegible]; that is, the more paper money governments print [illegible] existing paper money [illegible] that much less and make [illegible] ounce of gold cost more [illegible] paper money terms; so [illegible] other words, your investment and assets are going down [illegible] drain unless they are rising [illegible] quickly as paper money [illegible] falling."

Scorer asks the client [illegible] vestor if he is really making [illegible] profit when he invests paper money at 20 per cent return and reaps his reward in paper dollars subject to inflation.

Just to break even in real buying power terms, Scorer said, the investor would have to be making a return of 42.8 per cent on his money if his tax rate was 60 per cent and the inflation rate 17.5 per cent (this calculation would fit the typical New Zealand executive in the 1979 New Zealand scenario).

For the investor to make [illegible] per cent return in real terms given the same tax and inflation rates, the investor would have to be earning [illegible] per cent on his money.

Paper money will continue to fall because "the dollar is backed by absolutely nothing and governments now have the power to literally print paper money 19 to the dozen; they will continue on this suicide course because while trying to pay for debts already incurred by them, the more end mora paper they will have to print and so the downward spiral will continue."

Scorer said the three periods of inflation in the United States while it was still on the gold standard were associated with war and an extra issue of paper money.

But, he said, "in each case after the emergency, the money supply was contracted and prices declined to their previous levels. Thus over a period of 145 years the United States currency retained its value. Prices in 1933 were approximately the same as they had been 145 years earlier when the constitution first established a gold standard.

"The reason for this is simple. During this period the dollar was defined as a quantity of gold. The dollar maintained its value because gold maintained its value. And gold maintained its value because it could not simply be printed up and issued to excess like a piece of paper. In fact gold was chosen as money by people because, of all the economic goods circulated in human commerce, it has the best record for maintaining its value.

"But since the enactment of a legal tender law in 1933, there has been a continual depreciation of the currency. Since that time the dollar has been defined, not as a quantity of gold, but as a piece of paper declared to have value by the fiat of the state."

Still, a lump of gold sitting in a safety deposit box earns no interest.

NBR suggested to Scorer that it might be possible for a gold dealer to sell for exnmple an ounce of gold, retain the gold himself, and issue the buyer with a negotiable instrument stating that this instrument could be redeemed in gold at any time by the holder.

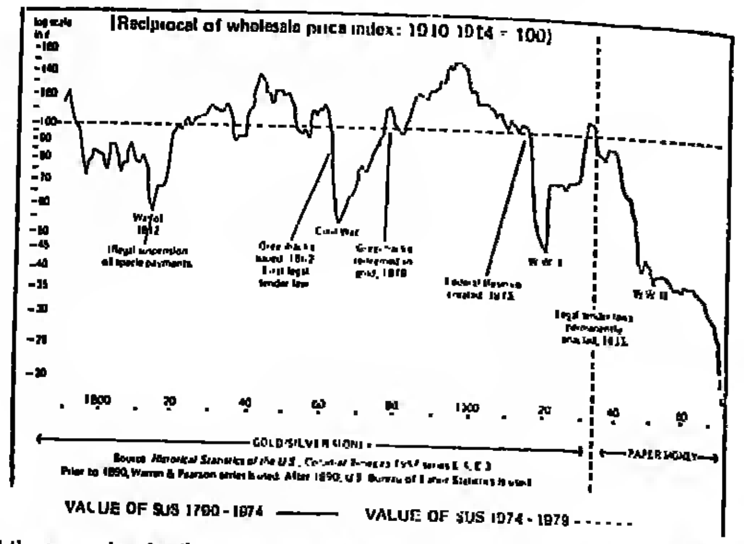
This would place the gold dealer in the position of the pre 1933 banker — the instrument being little more than a transferable gold certificate. The holder of the certificate could treat this like money and invest it and earn interest thus having the certainty of gold backing and an interest earning deposit.

Not a bad idea, said Scorer, except Government would not allow it.

Australia has a futures market in gold. There one can secure a futures contract (50 ounces of gold) with as little as A$750 deposit. For a commission of 7 per cent of the deposit an investor can use his gold holding as a deposit to play the futures market — that is, play the futures market in gold or other commodities.

While the trend in gold prices is ever upward in the long term there are some anags for the short-term futures investor.

Scorer pointed to the opening of the Australian gold futures market in November 1978. Two days after the market opened, the United States Government doubled its gold sales driving gold prices down $53 an ounce in one month.



Focus placed on automation

FROM a topic which barely attracted any attention a few months ago, computer-aided automation and its potential as a threat to our lifestyle has sprung into the forefront of the public mind.

Radio, television and newspaper coverage as well as live discussion has almost threatened the subject with over-exposure.

Probably the biggest audience was gained by the three-part TV2 series which finished last week. While the series attempted a balanced view of the question, it has been attacked in computing circles for painting too black a picture of the effects of technology, particularly on employment, for its over-use of overseas material and for its lack of discussion.

The series would have laid an ideal foundation for a panel discussion in a fourth week, said NZ Computer Society spokesman Bill Williams; this, he contended, might have given people directly involved in the computer industry a better chance to emphasise the benefits to be derived from increasing use of computers.

Williams has taken part in recent radio caverage and live debate on the question. He was interviewed for the second programme of the television series, which dealt specifically with the New Zealand situation, but his contribution was cut from the final version.

All the points that Williams made had been covered by other contributors anyway, said producer Bill Saunders. In any case, he added, the programmes were designed more to present the question in visual terms than as a platform for discussion.

The second programme was made in collaboration with the Commission for the Future, and contributors included the head of the Commission, Professor James Duncan.

The opening and final programmes, though, were repeats of United Kingdom films, shedding only a general light on the New Zealand situation. The first looked at the general problem of unemployment, with only a sidelong glance at technology, but the third, entitled "Now the Chips are Down", focussed on the fabrication and potential effect of microprocessors.

The report of a joint trade union examination of employment and technology, due later this month, is certain to encourage further debate.

The investigation was originally backed by the Public Service Association, clerical workers, shop employees, bank officers, and insurance workers, but they have been joined by a number of other unions, who also see their members being affected by one or another manifestation of computer technology. Prominent among there are the Post Office Association and the Journalists Union.